

File No. 220338

Committee Item No. 11

Board Item No. 8

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date April 20, 2022

Board of Supervisors Meeting Date May 3, 2022

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Human Resources Presentation - 4/20/2022</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
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Completed by: Brent Jalipa Date April 14, 2022

Completed by: Brent Jalipa Date April 22, 2022

1 [Appropriation - General Reserve - Various Departments - Workers' Compensation -
\$13,131,917 - FY2021-2022]

2

3 **Ordinance appropriating \$13,131,917 of General Fund General Reserves to the**
4 **Fire Department, Department of Public Health, Sheriff's Department and**
5 **Department of Emergency Management for increased workers' compensation**
6 **costs, and the authority to receive and expend these funds in the Department of**
7 **Human Resources in Fiscal Year (FY) 2021-2022; this Ordinance requires a two-**
8 **thirds approval vote of all members of the Board of Supervisors, pursuant to**
9 **Charter, Section 9.113(c).**

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Note: Additions are *single-underline italics Times New Roman*;
deletions are ~~*strikethrough italics Times New Roman*~~.
Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

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Be it ordained by the People of the City and County of San Francisco:

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Section 1. The sources of funding outlined below are herein appropriated to
reflect the projected sources of funding for FY2021-2022.

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SOURCES Appropriation

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1	Fund /	Project &	Account	Description	Amount
2	Department ID	Activity /			
3		Authority			
4	10020 GF	10023237-0001	598040	Designated For	\$13,131,917
5	Continuing Authority	General Reserve /	Designated	General Reserve	
6	Ctrl / 230018	17064 General	For General		
7	GEN General City	Reserve	Reserve		
8	Responsibility				
9					
10	Total SOURCES Appropriation				\$13,131,917

11 Section 2. The uses of funding outlined below are herein appropriated to provide
12 increased budget for workers' compensation costs in the Fire Department, Department of
13 Public Health, Sheriff's Department and the Department of Emergency Management.

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16 **Fire Department**

18	Fund /	Project & Activity /			
19	Department ID	Authority	Account	Description	Amount
20	10000 GF Annual	10001965-0001	5810 – Other	Workers'	\$5,998,533
21	Account Ctrl /	FD Administration	Departments /	Compensation	
22	130644	- Administration/	581460 581460 -	costs	
23	FIR Administration	10000 -	GF-HR-Workers'		
24		Operating	Comp Claims		
25	Fire Department Subtotal				\$5,998,533

1 **Department of Public Health**

2

3 **Fund / Project & Activity /**

4 **Department ID Authority Account Description Amount**

5 21080 SFGH-Op 10001834-0001 5810 – Other Workers' \$2,304,955

6 Annual Account Ctrl 9990 Acute Care Departments / Compensation
7 / 210654 Rollup 581460 costs – General

8 HGH Acute Care Administration - HG 581460 - GF- Hospital

9 Rollup Hospital Budget HR-Workers'
10 Roll-up/ Comp Claims

11 10000 -

12 Operating

13

14 21490 LHH-OP 10001947-0013 5810 – Other Workers' \$1,272,852

15 Annual Account Ctrl HL AD Departments / Compensation
16 / 251881 Administration - 581460 costs – Laguna

17 HLH HR-Personnel Personnel/ 581460 - GF- Honda Hospital

18 10000 - HR-Workers'

19 Operating Comp Claims

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22 **Department of Public Health Subtotal**

\$3,577,807

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1 **Sheriff's Department**

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3 **Fund / Project & Activity /**

4 **Department ID Authority Account Description Amount**

5 10000 GF Annual 10001916-0001 SH 5810 – Other Workers' \$335,517

6 Account Ctrl / Court Security – Departments / Compensation

7 232331 SHF Hall of Justice 581460 costs

8 Administration Courts/ 581460 - GF-

9 10000 – Operating HR-Workers'

10 Comp Claims

11

12 10000 GF Annual 10001912-0003 SH 5810 – Other Workers' \$3,019,655

13 Account Ctrl / Administration – Departments / Compensation

14 232331 SHF Admin Division 581460 costs

15 Administration Support / 581460 - GF-

16 10000 – Operating HR-Workers'

17 Comp Claims

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19 **Sheriff's Department Subtotal** \$3,355,172

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1 **Department of Emergency Management**

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3 **Fund / Project & Activity /**

4 **Department ID Authority Account Description Amount**

5 10000 – GF 10001776-0001 EM 581460 - GF- Workers' \$200,405

6 Annual Account DEM Administration HR-Workers' Compensation

7 Control / 229985 – DEM Comp Claims costs

8 DEM Administration /

9 Administration 10000 – Operating

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11 **Department of Emergency Management Subtotal** \$200,405

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14 **Grand Total USES Appropriation** \$13,131,917

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1 Section 3. The sources of funding outlined below are herein appropriated to reflect
 2 the projected sources of funding in the Department of Human Resources for FY2021-
 3 2022.

Fund /	Project & Activity /	Department ID	Authority	Account	Description	Amount
12460 – SR	10026742-0001 HR	Workers’	Administration – HR	486340 – Exp	Recoveries from the Fire Department	\$5,998,533
Compensation/	Administration /	232027 HRD	10000 – Operating	AAO	Fire Department	
Workers’		Compensation			Department	
12460 – SR	10026742-0001 HR	Workers’	Administration – HR	486380 – Exp	Recoveries from the Public Health – SF General	\$2,304,955
Compensation/	Administration /	232027 HRD	10000 – Operating	Hospital AAO	Hospital	
Workers’		Compensation				

1	Fund /	Project & Activity /			
2	Department ID	Authority	Account	Description	Amount
3	12460 – SR	10026742-0001 HR	486390 – Exp	Recoveries from	\$1,272,852
4	Workers’	Administration – HR	Received from	the Public Health	
5	Compensation/	Administration /	Laguna Honda	– Laguna Honda	
6	232027 HRD	10000 – Operating	AAO	Hospital	
7	Workers’				
8	Compensation				
9					
10	12460 – SR	10026742-0001 HR	486670 – Exp	Recoveries from	\$3,355,172
11	Workers’	Administration – HR	Received from	the Sheriff’s	
12	Compensation/	Administration /	Sheriff AAO	Department	
13	232027 HRD	10000 – Operating			
14	Workers’				
15	Compensation				
16					
17	12460 – SR	10026742-0001 HR	486310 – Exp	Recoveries from	\$200,405
18	Workers’	Administration – HR	Received from	the Department of	
19	Compensation/	Administration /	Emergency	Emergency	
20	232027 HRD	10000 – Operating	Communications	Management	
21	Workers’		AAO		
22	Compensation				
23					
24	Total SOURCES Appropriation Department of Human Resources				\$13,131,917
25					

Item 11 File 22-0338	Department: Various
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate \$13,131,947 from the General Reserve to the FY 2021-22 workers’ compensation budgets in the Fire, Public Health, Sheriff, and Emergency Management Departments. The appropriation also transfers these funds from these departments to the Department of Human Resources (DHR), which manages the City’s workers’ compensation program.

Key Points

- The City self-insures for workers’ compensation, which means that the City is financially responsible for all workers’ compensation liabilities, including payments for disability benefits, medical benefits, and administrative costs.
- Citywide workers’ compensation claims in FY 2021-22 are projected to increase by 34.2 percent relative to the average number of claims over the prior four fiscal years. Of the four departments included in the proposed supplemental appropriation, the Fire and Sheriff departments are projected to have the largest percentage increase in claims. The increase in the Fire and Sheriff staff claims are primarily due to workplace exposure to COVID-19, strains, pain, and increased overtime hours, which correlate with an increased risk of workplace injuries.

Fiscal Impact

- The FY 2021-22 adopted budget for the Workers Compensation Division is \$79.9 million. The proposed \$13.1 million appropriation would increase that budget to \$93.1 million.
- According to the March 2022 Update to the Joint Report from the Budget & Legislative Analyst’s Office, Mayor’s Budget Office, and Controller’s Office, the beginning balance of the General Reserve in FY 2021-22 was \$78.3 million and is projected to have an end balance of \$43.8 million, assuming the approval of the proposed supplemental appropriation. Draws on the General Reserve in the current year require the General Reserve to be replenished by a like amount in the budget year.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Workers' Compensation

The City self-insures for workers' compensation, which means that the City is financially responsible for all workers' compensation liabilities, including payments for disability benefits, medical benefits, and administrative costs.¹ Workplace injuries are subject to state law and regulations, which set official fee schedules for disability payments and medical services, as well as legal presumptions that determine the extent to which injuries are related to the workplace. Exhibit 1 below shows historical and projected workers compensation claims for the last four fiscal years and the current year.

Exhibit 1: Workers Compensation Claims

Department	FY 2017-18 - FY 2020-21 Average Annual Claims			FY 2021-22 Forecast			Change
	Indemnity Claims	Medical Claims	Total Claims	Indemnity Claims	Medical Claims	Total Claims	
Fire	277	63	340	780	50	820	141.2%
Public Health	284	442	727	280	450	740	1.8%
Sheriff	164	27	190	270	20	290	52.6%
Emergency Mgmt.	20	1	21	20	0	20	-4.8%
Citywide	1,663	937	2,600	2,700	790	3,490	34.2%

Source: Human Resources. Note: FY 2021-22 forecasts based on actual claim volume through February 28, 2022.

Note: Indemnity claims refer to claimant benefits such as temporary and permanent disability.

As shown above, citywide workers' compensation claims in FY 2021-22 are projected to increase by 34.2 percent relative to the average number of claims over the prior four fiscal years. Of the four departments included in the proposed supplemental appropriation, the Fire and Sheriff departments are projected to have the largest percentage increase in claims. According to

¹ Medical benefits include inpatient/outpatient hospitalizations, physical therapy, physician services, prescription medication, durable medical equipment, ergonomic equipment, medical/legal evaluations, and reports. Disability benefits include partial wage replacement benefits (temporary disability), permanent disability awards (settlements), future medical awards, death benefits, and life pensions. Administrative costs include claims management and division operations. The City's workers compensation program also provides vocational rehabilitation.

Stanley Ellicott, DHR Workers' Compensation Division Finance & Information Systems Manager, the increase in the Fire and Sheriff staff claims is primarily due to workplace exposure to COVID-19, strains, pain, and increased overtime hours, which correlate with an increased risk of workplace injuries. To date, there have been 1,727 workers' compensation claims related to COVID-19 in FY 2021-22.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$13,131,947 from the General Reserve to the FY 2021-22 workers' compensation budgets in the Fire, Public Health, Sheriff, and Emergency Management departments. The appropriation also transfers these funds from these departments to the Department of Human Resources (DHR), which manages the City's workers' compensation program.

Changes to Workers' Compensation Policy

According to DHR Manager Ellicott, in 2020 the State Legislature established that COVID-19 illness among healthcare workers and first responders are assumed eligible for workers' compensation, and in 2019, established that Post-Traumatic Stress Disorder claims for public safety workers are assumed eligible for workers' compensation. Both of these policy changes have contributed to the recent increase in workers' compensation claims.

In addition, in 2022 the state increased temporary disability weekly benefits from \$1,383 to \$1,570 and increased the medical and legal fee schedules, all of which have increased the cost of workers' compensation claims.

Cost Containment

According to DHR Manager Ellicott, the Human Resources Department is taking the following actions to control workers' compensation costs:

- Increased temporary staffing to process the surge in claim filings;
- Decelerated non-essential expenses;
- Attempted to slow down or delay expensive case settlements;
- Increased focus on temporary transitional work assignments and policy development to reduce temporary disability duration and return employees to work faster; and
- Proactively managing the workers compensation medical provider network and remove treatment providers with poor performance

Because the majority of the increase in workers compensation claims are related to COVID-19, the number of claims may decrease in the upcoming years. However, claim eligibility are defined by state regulations and treating physicians and the cost of claims are set by state regulations.

The City has classifications, such a 5177 Safety Officer and a 6139 Industrial Hygienist, that are responsible for ensuring work place safety. The Fire and Sheriff departments have these positions and they filled. The Department of Emergency Management does not have such a position. General Hospital and Laguna Honda, both subject of the proposed appropriation, have budgeted

Safety Officer positions but they are both vacant. According the Public Health finance staff, the duties are being performed by the Department’s Central Occupational Health & Safety staff until the positions are filled.

FISCAL IMPACT

Exhibit 2 below shows the proposed increase to the Human Resources budget for workers’ compensation.

Exhibit 2: Proposed Increase in FY 2021-22 Workers’ Compensation Division Budget

Adopted Budget	\$79,952,818
Proposed Increase	\$13,131,947
New Budget	\$93,084,765

Source: FY 2021-22 Annual Appropriation Ordinance and Proposed Appropriation Ordinance

As noted above, funding for the proposed increase is sourced from the General Reserve, which is then allocated to the Fire, Public Health, Sheriff, and Emergency Management departments. The appropriation also transfers the funds from these departments to the Department of Human Resources, which manages the City’s workers compensation program. Appendix A to this report shows the appropriation detail for the Fire, Public Health, Sheriff, and Emergency Management departments.

The basis for the \$13,131,220 amount is a straight-line projection of actual spending through February 2022.

General Reserve

Administrative Code Section 10.60 requires the City to budget a General Reserve of at least 3.0 percent of General Fund revenues to address revenue weakness, excess spending, or other needs not anticipated during the annual budget process. The balance requirement is reduced to 1.5 percent of General Fund revenues if the City withdraws from the Rainy Day Reserve and then increases 0.25 percent per year until the 3.0 percent balance requirement is fully restored.

According to the March 2022 Update to the Joint Report from the Budget & Legislative Analyst’s Office, Mayor’s Budget Office, and Controller’s Office, the beginning balance of the General Reserve in FY 2021-22 was \$78.3 million and is projected to have an end balance of \$43.8 million, assuming the approval of the proposed supplemental appropriation.

Draws on the General Reserve in the current year require the General Reserve to be replenished by a like amount in the budget year.

RECOMMENDATION

Approve the proposed ordinance.

Appendix A: Departments' Workers Compensation Budgets (Transferred to Human Resources)

Department	Adopted Budget	Proposed Appropriation	New Budget	Increase
Fire	12,238,482	5,998,553	18,237,035	49.0%
DPH / General Hospital	7,455,437	2,304,955	9,760,392	
DPH / Laguna Honda	4,151,830	1,272,852	5,424,682	
DPH Subtotal	11,607,267	3,577,807	15,185,074	30.8%
SHF / Hall of Justice	598,777	335,517	934,294	
SHF / Administration	5,388,990	3,019,665	8,408,655	
Sheriff Subtotal	5,987,767	3,355,182	9,342,949	56.0%
Emergency Management	472,526	200,405	672,931	42.4%
Total	30,306,042	13,131,947	43,437,989	43.3%

Source: FY 2021-22 Annual Appropriation Ordinance and Proposed Appropriation Ordinance

Appropriation - General Reserve - Various Departments - Workers' Compensation

Peggy Sugarman

DHR Workers' Compensation Director

April 20, 2022





Workers' Compensation

- Under California State Law, the City must provide benefits to employees who experience a work-related injury or illness, including:
 - Medical care
 - Temporary disability payments
 - Permanent disability payments
 - Job retraining and vocational rehabilitation
 - Death benefits
- The City is self-insured for workers' compensation, which is administered by DHR's Workers' Compensation Division
- The FY21-22 workers' compensation budget was based on prior year expenditure trends, claim filing history, and known inflation factors



Surge in Claims and Increased Fees

- Why is the City facing workers' compensation cost overruns?
 - Many departments, especially those with frontline workers, experienced **a surge in workers' compensation claims in FY22** that exceeded forecast assumptions. **Claim filings have risen 34% across the City, and include COVID infections attributed to workplace exposure.**
 - The State of California **sharply increased benefit rates and fee schedules** that are passed on to all workers' compensation insurers. As a result, temporary disability, permanent disability, and medical expenses are all more expensive than forecast.



Supplemental Request

- Departments with frontline workers, including Fire, Public Health, Sheriff, and Emergency Management, were particularly hard hit by rising claim volume and costs, and require additional appropriation to meet forecast costs:

Dept.	Revised Budget	Actual Expense 7/1/21 - 2/28/22	Projected Year-End Actuals	Estimated Year-End Deficit/ Supplemental Need
DPH	\$15.4	\$12.6	\$18.9	(\$3.6)
FIR	\$12.2	\$12.7	\$18.2	(\$6.0)
DEM	\$0.5	\$0.4	\$0.7	(\$0.2)
SHF	\$6.0	\$5.7	\$9.4	(\$3.4)
			Total	(\$13.1)

All figures in (\$) million dollars

- Approval of this \$13.1M Supplemental Appropriation is needed to be able to pay injured workers and their medical providers through June 30.

Thank you

President, District 10
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-6516
Fax No. 554-7674
TDD/TTY No. 544-6546

Shamann Walton

PRESIDENTIAL ACTION

Date: 4/7/2022

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 220338 Mayor
(Primary Sponsor)

Title. Appropriation - General Reserve - Various Departments - Workers' Compensation - \$13,131,917 - FY2021-2022

Transferring (Board Rule No 3.3)

File No. _____
(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: _____ Replacing Supervisor: _____

For: _____ Meeting
(Date) (Committee)

Start Time: _____ End Time: _____

Temporary Assignment: Partial Full Meeting

Shamann Walton, President
Board of Supervisors

From: [Paulino, Tom \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Duning, Anna \(MYR\)](#)
Subject: Mayor -- Ordinance -- Workers" Compensation Supplemental
Date: Tuesday, April 5, 2022 3:15:23 PM
Attachments: [ORD Workers" Comp supplemental appropriation PACKET.zip](#)

Hello Clerks,

Attached for introduction to the Board of Supervisors is an Ordinance appropriating \$13,131,917 of General Fund General Reserves to the Fire Department, Department of Public Health, Sheriff's Department and Department of Emergency Management for increased workers' compensation costs, and the authority to receive and expend these funds in the Department of Human Resources in Fiscal Year (FY) 2021-2022. This Ordinance requires a two-thirds approval vote of all members of the Board of Supervisors, pursuant to Charter Section 9.113(c).

Please let me know if you have any questions.

Cheers,

Tom Paulino

He/Him

Liaison to the Board of Supervisors

Office of the Mayor

City and County of San Francisco