

A special meeting of the Board of Aldermen was held Monday, October 25, 2021, at 7:00 p.m. in the aldermanic chamber as well as via Zoom teleconference.

President Lori Wilshire presided; Deputy City Clerk Allison Waite recorded.

Prayer was offered by Deputy City Clerk Allison Waite; Alderwoman-at-Large Shoshanna Kelly led in the Pledge to the Flag.

To join by Zoom – please refer to the agenda or the website for the meeting link and telephone number.

Let's start the meeting by taking a roll call attendance. When each member states their presence, please indicate if participating via Zoom state why you are not meeting in person and whether there is anyone in the room with you during this meeting which is required under the Right-To-Know Law.

City Clerk Lovering called the roll and asked them to state the reason he or she could not attend, confirmed that they could hear the proceedings, and stated who was present with him or her.

The roll call was taken with 12 members of the Board of Aldermen present: Alderman Michael B. O'Brien, Sr., Alderman Patricia Klee, Alderwoman Shoshanna Kelly, Alderman Richard A. Dowd, Alderman June M. Caron, Alderman Benjamin Clemons, Alderman Thomas Lopez (arrived at 7:04 p.m. via Zoom), Alderman David C. Tencza, Alderwoman Elizabeth Lu, Alderman Ernest Jette, Alderman Brandon Michael Laws (via Zoom), Alderman Linda Harriott-Gathright, Alderman Wilshire.

Alderman Jan Schmidt and Alderman Skip Cleaver were recorded absent.

Mayor James W. Donchess was also in attendance.

President Wilshire

As is customary, I will turn the public hearing over to Chairman of the Budget Review Committee Alderman Dowd.

Chairman Dowd

Yes, tonight we're going to have a public hearing on R-21-177 Relative to the Supplemental Appropriation of \$250,000 of FY2021 Assigned Fund Balance into Fund #6500 "Property & Casualty Self Insurance Fund". Mayor I believe you wanted to open?

Mayor Donchess

Yes, thank you Mr. Chair. So as you see from the Resolution, we are proposing to transfer \$250,000 from what is called the "Assigned Fund Balance". Now these are funds held in reserve for – and these are designated for unanticipated liabilities. That's what we have here. You're going to hear – and I'm going to introduce Ms. Kleiner and Ms. Deshaies in a moment – but what we have are a group of serious worker's comp. cases – serious injuries. No question apparently that they are work related and as a result of this group of very significant cases, the risk pool which was estimated at about \$4 million this year according to the actuaries is a little short in order to pay all of these claims. So that's the proposal. I will introduce now Ms. Kleiner and Ms. Deshaies to give you more of the details.

Chairman Dowd

They do have a presentation which they will introduce in a moment and give an explanation of the actions that are being taken and then if members of the Board of Aldermen have questions.

Kim Kleiner, Administrative Services Director

We just have three brief slides. The main purpose of these slides is to ensure you that our property and casualty fund is in good shape. It is stable. We are not seeing claims that are out of the ordinary. We're just in a situation this year where the expenses last year brought the fund low. Now with the incurred but not received claims which get booked to the previous fiscal year, it has brought the funding to a deficit.

Chairman Dowd

We'll bring the presentation up. Alderman Lopez has joined us on Zoom.

Kim Kleiner, Administrative Services Director

So the first slide if you can see it. I realize it's small. It has a lot of data. We do have copies of the presentation if you'd like it. Ms. Deshaies has copies. This is to show you that relatively year to year our total revenue, total expenses, and ending balance has stayed fairly steady from year to year. It's quite consistent. What you'll see at the top there is in 2021 with the booking of this \$541,000 incurred but not received, for the first time brought the fund into a deficit of about \$211,000.

Moving into Fiscal 2022, our current year, what we realized we knew we were going to have some increase in our property and liability policies. So this year instead of funding the fund \$3.8 million, what you saw was a transfer at budget time if you might remember of \$4.2 million. So looking at the fund if we were to look at the fund today, that \$211,000 deficit has already decreased of a deficit to \$49,000. What we do expect each year, we fund the account twice. So half of the annual appropriation goes in July when the budget is passed and half of it goes in in January. So we will have another \$2.1 million that's transferred as part of the budget process in January.

Looking at the expenses of Fiscal 2022 so far to date, we're trending favorably. Most of the policies have been paid and our claims are trending fine. So we're not concerned with this but what we do need to do is bring the fund into a health balance and that's what the \$250,000 will do. It will bring that \$49,000 deficit that we see today to a roughly \$200,000.

So here we're just showing you from year to year, we have funded the account approximately the same amount. We had a slight increase over in Fiscal 2020 but other than that, we've always averaged right around \$3.8 million until this year is when the Board of Aldermen approved the \$4.2 million. To the right, you're going to see the change in the incurred but not received. That is a report that is prepared by our actuaries based on the trends and Ms. Deshaies is going to tell you about everything that goes into that report. Her office works very hard to give the actuaries all the data that they need to estimate that trend.

This last slide is just showing you these are our claims. So our automobile, our property, our general liability, and our workman's comp. As you can see, they have remained pretty consistent. We have our ups and downs, different years but nothing out of the ordinary. Again this year we so far for Fiscal 2022, of course we're not that far through it so I'll do a little knock, but so far so good we are trending favorably. But what I will ask is Ms. Deshaies is going to give you just a little bit about what goes into the incurred but not received report which is what we book for trending claims. We just want to be careful to say that not necessarily will these claims hit but it is the actuaries doing their due diligence so that we remain and keep our reserves in a health balance.

Jennifer Deshaies, Risk Manager

So as the Mayor said, the IBNR increase is basically being driven by three worker's comp. claims. All of them back injuries. All of them have had surgery these claimants and they've been out of work. Important to point out that the increase that you're seeing is for the life of the claim. That life of the claim changes. They're living documents. So cases are reserved at the worst case scenarios. They're estimates. They change based on claim activity but that's not the only thing that goes into the IBNR. If you have changes in State and federal laws, costs of health care, claim administration costs, if your number of claims fluctuates from one year to another, your State fees, collections, subrogations, liens, insurance contribution versus self-insurance, the life span of a claim, your interest rate. So there's so much country-wide trending, inflation, all that goes into that number. It's not just the claims and, again, that number can change as the life of the claim. Claims are open for the life of a person. So it's not budgetary year. That increase is for the life of any claims that you see.

Chairman Dowd

Are you all set Ms. Deshaies?

Jennifer Deshaies, Risk Manager

Yes I'm all set. I'm sorry.

Chairman Dowd

We have a question from Alderman Lopez

Alderman Lopez

Yeah and just for the record, I am alone. I'm in my office on Exit 1 and I just couldn't get transportation back to the Special Board without holding everybody up.

So my question is Ms. Kleiner had mentioned that we typically put funding into this budget bi-annually but this particular year we went into a deficit. It sounds like over two-thirds of it you've already kind of pulled out of and we're looking for ways to do this in a more healthy manner. I want to understand the predictability of this situation. Is this like a fall out from 2020 and we don't want to account for it in our regular planning? Like there's an ongoing global disaster which the likelihood we've never seen. So you wouldn't plan business as usual during that or is this something maybe attributable to growth or changes in deficits? Is this something we should adjust for like maybe try to review it every quarter instead of bi-annually?

Kim Kleiner, Administrative Services Director

Yes. So I'll just go back. The Board of Aldermen approves the amount that is transferred from the General Fund into the Property & Casualty Fund. So for Fiscal 2022, you approved \$4.2 million. That gets transferred. It's been practiced that that is transferred in two installments: one in July and one in January. That is just the practice of the City. I would assume cash flow and other reasons but we do not think that this is a serious problem. We're certainly not raising any red flags. You see these types of trends go up and down. So back in 2018 for instance, you had one year that you had an IBNR of \$600,000 rise and then the next year it went down over \$600,000. This is quite common. This goes with the fluctuation of claims.

Our claims have remained fairly stable. So we don't see this as a reason to adjust how we are being fiscally responsible or how we are doing things. The Risk Department, our adjusters do an amazing job. They handle these claims and they're very well versed in what they need to do, how they need to book these reserves, as well as what to expect a case to take the life of.

Chairman Dowd

Any other questions from the Aldermen?

Alderman Jette

Thank you Mr. Chairman. So I know that worker's compensation is a system. It's a no-fault system. So the fact that we have these unusually large claims that the Mayor referred to doesn't mean that the city violated some duty towards the worker and it doesn't mean that the worker did something wrong. I don't know any of the details but these worker comp. claims are just accidents that happen. If they are work related that they happen on the job or related to the job, then the system provides for compensation to the worker. I want to hear from you some reassurance that this does not reflect on any lack of worker safety on the part of the city, and that there's nothing that the city is neglecting as far as our workers are concerned, and that these claims just happen and doesn't necessarily mean they're going to happen or going to happen in the future. Can you reassure me about that?

Kim Kleiner, Administrative Services Director

I'd like to ask Ms. Deshaies to speak to that.

Jennifer Deshaies, Risk Manager

These three cases are not the fault of, as you said, the employee or the city. They're not safety concerns either. Two of them were from firemen fighting fires and the third one was a motor vehicle accident in which the third party was at fault.

Alderman Jette

Okay thank you.

Chairman Dowd

Anyone else?

Alderwoman Lu

I just want to ask for some clarification. There's been a lot of talk about when we have a public hearing whether it's time for us to ask questions or whether we're meant to allow the public to ask questions or comment. I have questions but having received this just now, I would be more ready to ask questions after I've looked at it.

Chairman Dowd

You can stay for the Budget hearing and you could also ask questions tomorrow night at the Board of Aldermen meeting.

Alderwoman Lu

Exactly. Yeah, absolutely. I just wanted to kind of give a heads up that I may have a problem asking questions tonight.

Chairman Dowd

I know there's been concern in the past about Aldermen asking questions but I feel that since the Board of Aldermen are going to be voting on it, this is the item to ask the questions especially to clarify exactly what we're addressing. So it's not that we're not going to open it up to the general public, although there's nobody on line and nobody in the chamber.

Alderwoman Lu

Just to follow up. I wonder if that demonstrates the difficulty of having a public hearing before a committee hearing. The public hasn't had the change to look at the detail that we just got tonight. So thank you.

Chairman Dowd

It was the final decision made by the Board of Aldermen tomorrow night. Any other questions?

Alderman Klee

Thank you Mr. Chairman. I think kind of talking about what Alderman Lopez had mentioned about the predictability of this. He mentioned that it's three individuals. He mentioned that they all had surgery of some sort. I don't want to ask for anything specific but are we prepared if all the surgeries are done in one single year do we expect that year to be a high cost year and perhaps the next year might not be? So I trust in your judgement and I agree with Director Kleiner has said about that you're all doing a wonderful job. I have no reason to deny that. So is this part of the predictability that you're kind of doing as far as your actuaries are concerned?

Jennifer Deshaies, Risk Manager

So the Claims Adjusters reserve these cases on the worst case scenario. So we base it off the medicals we receive and our experience with handling these types of cases. So yes these cases have all been reserved if I may for worst case. That doesn't mean you're not going to see the reserve change due to let's just say somebody returns to work sooner than we think or they go another six weeks of PT. The surgeries have already have happened for every one of these individuals.

Alderman Klee

So I guess I was little confused then and I do fairly understand workman's comp. cases but you referred to these as the claims are open for the life of a person. So that would mean that in five years down the road if they had additional issues to that, it would still be part of that original workman's comp. Is that correct?

Jennifer Deshaies, Risk Manager

Correct.

Alderman Klee

So that's what you meant by the life of the person not necessarily that the person was out of work forever.

Jennifer Deshaies, Risk Manager

Right, not the life of the claim. So the claim may close. We may not see any other activity for the life of that person or, you know, five years down the road they may come back due to a failed surgery or something like that. It could happen.

Alderman Klee

Thank you for the clarification.

Kim Kleiner, Administrative Services Director

Thank you Chair. I just wanted to say that when we book this incurred but not received amount, which this year is over \$541,000 that goes against the fund and into a reserve. So as this is being trended out by our actuaries, the money that they feel that the city needs to have should these claims reach the levels that they have reserved for it, that money is there. That's over \$4 million at this point. That's what happens. It gets booked against the fund so our property and casualty fund in this case goes down. It has in some years gone up and it's booked to a reserve so that the money to pay the claims is there for the city.

Alderman Klee

May I ask one quick question? Thank you. Pardon me and I'm going to refer to myself as pardon my ignorance here but when I'm looking at that very first sheet that you gave us, you talked about total revenue. Is the revenue interest that's made from us just having the money in the bank or what is the revenue from?

Kim Kleiner, Administrative Services Director

So the revenue includes what's transferred from the General Fund each year. There's interest and then there's also a transfer from the wastewater budget to cover the claims of property, automobile, and not just workman's comp., and many different things. Then there's also the wonderful work that our Risk Department does in recoveries. So getting money from third parties that are responsible.

Alderman Klee

Perfect. Thank you so much.

Alderwoman Lu

What does IBNR stand for?

Jennifer Deshaies, Risk Manager

Incurred but not reported.

Alderwoman Lu

Thank you. And one other question. I noticed that the automobile costs have doubled since last year, I think, or doubled at some point. Do we have more automobiles on the road right now than we did in 2020 that are insured through this plan or are they just getting in twice as many accidents?

Jennifer Deshaies, Risk Manager

I don't necessarily think they're getting in twice as many accidents. It could be for just the reason of it's a more

serious accident not necessarily their fault either. No, we don't have any more vehicles on the road than we did in 2020 that I'm aware of other than for COVID reasons I guess. Maybe didn't have as many but I'm not sure. I'm not really sure of that answer.

Alderwoman Lu

These are all like DPW and everything, right?

Jennifer Deshaies, Risk Manager

That includes the whole city. City and school.

Alderwoman Lu

Thank you.

Chairman Dowd

Is everyone all set?

All right. I'll open up to the public.

PUBLIC HEARING

R-21-177

RELATIVE TO THE SUPPLEMENTAL APPROPRIATION OF \$250,000 OF FY2021 ASSIGNED FUND BALANCE INTO FUND #6500 "PROPERTY & CASUALTY SELF INSURANCE FUND"

TESTIMONY IN FAVOR - None

TESTIMONY IN OPPOSITION - None

TESTIMONY IN FAVOR - None

TESTIMONY IN OPPOSITION - None

Chairman Dowd

Do I hear a motion from Alderman Wilshire to closes the public hearing on Resolution R-21-177?

MOTION BY ALDERMAN WILSHIRE TO CLOSE THE PUBLIC HEARING TO CLOSE THE PUBLIC HEARING ON RESOLTUION R-21-177, BY ROLL CALL

A viva voce roll call was taken which resulted as follows:

Yea: Alderman O'Brien, Alderman Klee, Alderwoman Kelly, Alderman Dowd,
Alderman Caron, Alderman Clemons, Alderman Lopez, Alderman Tencza,
Alderwoman Lu, Alderman Jette, Alderman Laws, Alderwoman Harriott-Gathright,
Alderman Wilshire

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Nay:

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MOTION CARRIED

The public hearing is closed at 7:26 p.m.

ADJOURNMENT

MOTION BY ALDERMAN O'BRIEN THAT THE OCTOBER 25, 2021 SPECIAL MEETING OF THE BOARD OF ALDERMEN BE ADJOURNED, BY ROLL CALL

A viva voce roll call was taken which resulted as follows:

Yea: Alderman O'Brien, Alderman Klee, Alderwoman Kelly, Alderman Dowd,
Alderman Caron, Alderman Clemons, Alderman Lopez, Alderman Tencza,
Alderwoman Lu, Alderman Jette, Alderman Laws, Alderwoman Harriott-Gathright,
Alderman Wilshire

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Nay:

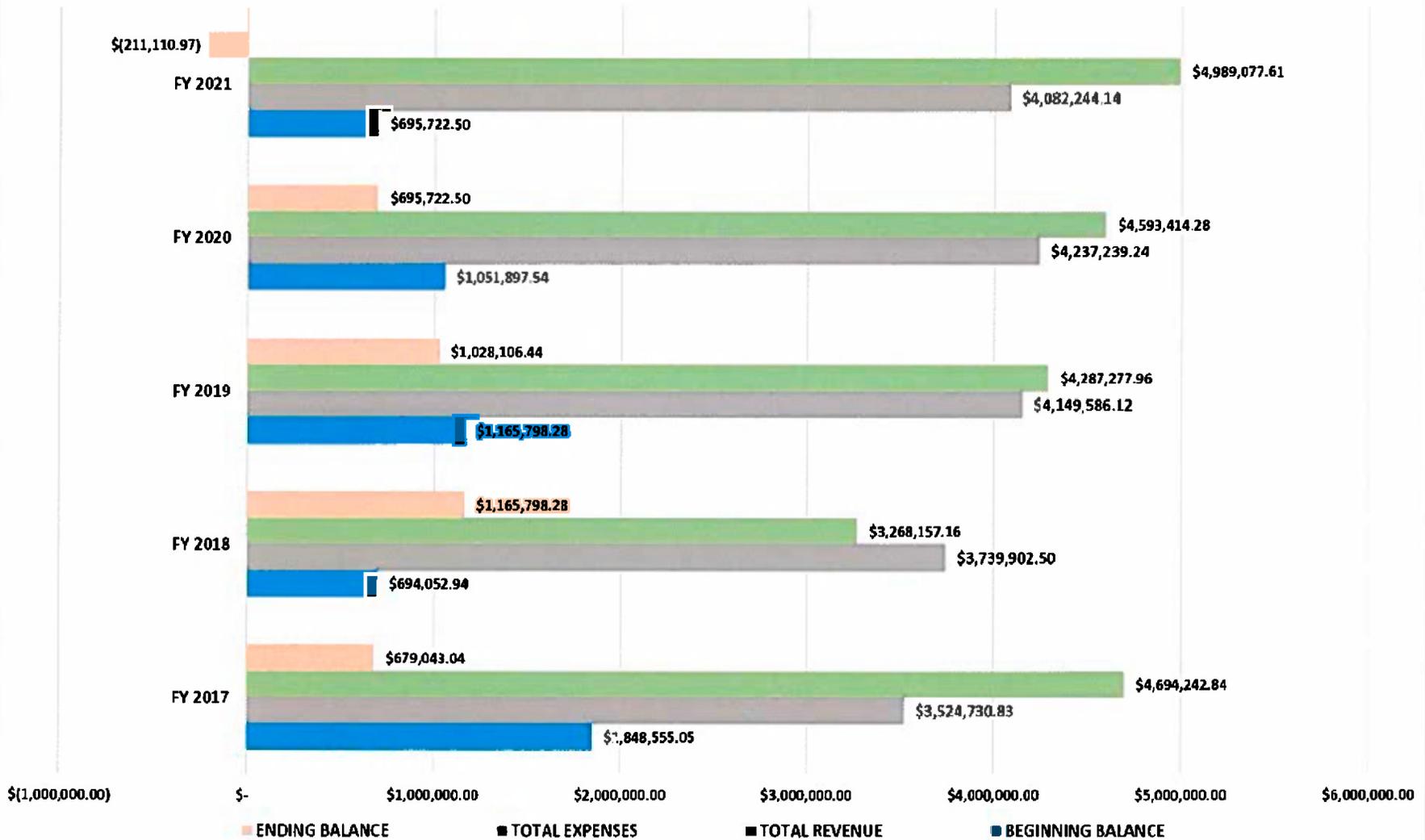
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MOTION CARRIED

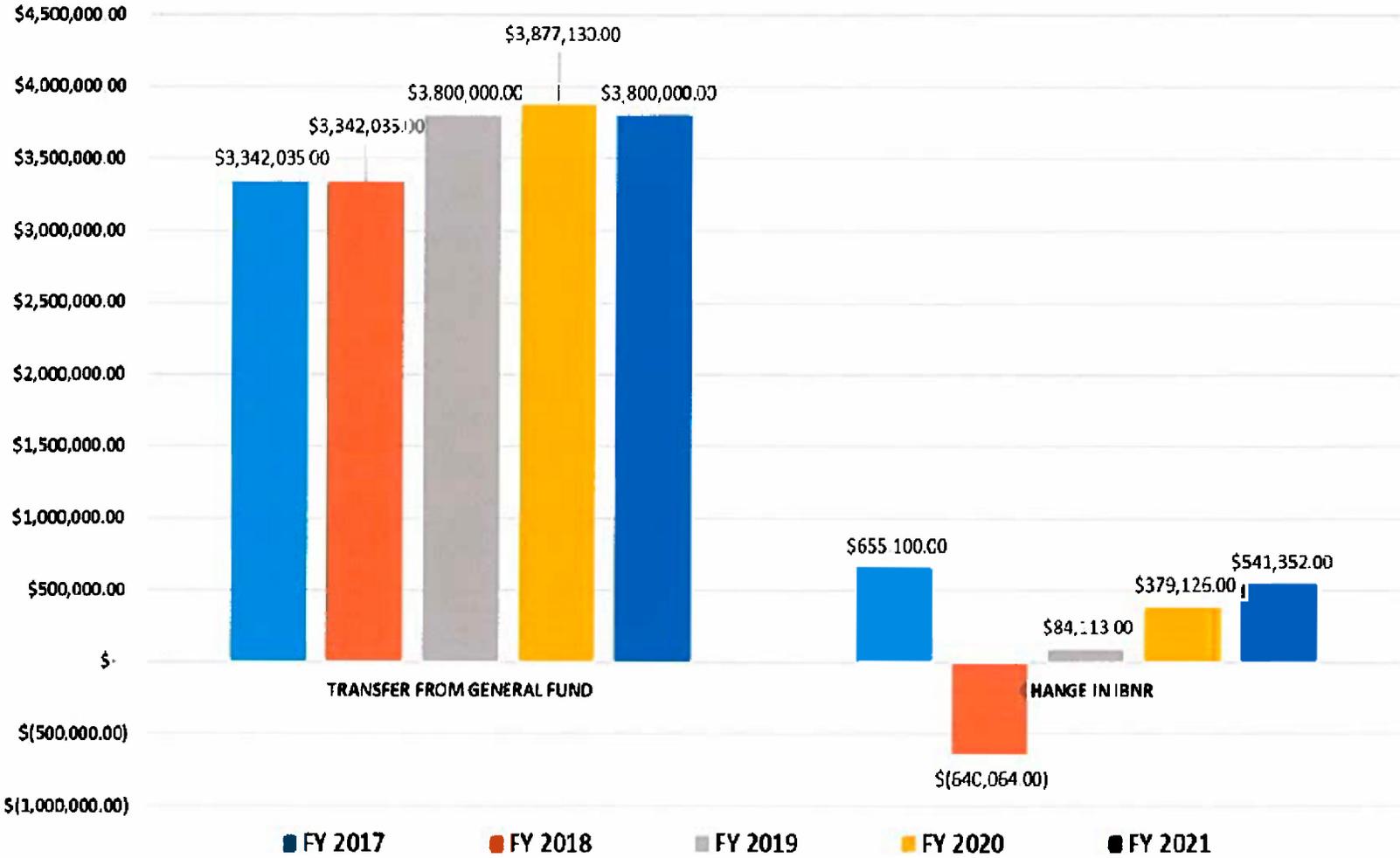
The meeting was declared adjourned at 7:27 p.m.

Attest: Allison Waite, Deputy City Clerk

PROPERTY & CASUALTY FUND



Funding and Change in IBNR



City and School Claims - Five Year Trend

