

## **Decision Item #32: RISK MANAGER**

### **Background:**

We have conducted an independent review of MMSD's need for a risk management position as a part of our functional analysis. This review is based upon an interview with the current Risk Manager, David Norman; review of MMSD documentation related to the position; and our knowledge of risk management as a school district function. While we have not performed a full and detailed operational review of this position, we feel the level of our review is sufficient to comment on the need for such a position within MMSD.

The current risk management position is new to MMSD with the start of the 2001 budget year. Previously, the functions performed under this position were the responsibility of various positions within Business Services. The current Risk Manager is also responsible for District safety. Our review indicates that the current time split between safety and risk management responsibilities is approximately 50/50. Thus, the current position can be viewed as a .5 FTE safety position and a .5 FTE risk management position.

The .5 FTE safety position involves the following essential tasks:

- Safety compliance to Federal, State and local laws, regulations and codes including OSHA and ADA and fire codes.
- Disaster and emergency planning and response for the District. This includes responding and reporting to emergencies and accidents, and coordinating fire and tornado drills as required.
- Direct and participate in collection and disposal of all District hazardous waste.
- Perform all safety inspections and review and implement safety procedures.
- Direct the Driver Education Program.

The .5 FTE risk management position involves the following essential tasks:

- Manage and direct the worker's compensation program for the District.
- Investigate and resolve all claims involving worker's compensation, property and liability.
- Ensure adequate insurance coverage and cost effectiveness for MMSD.

Our functional analysis classifies these tasks as core to the corporate functions of MMSD. This means that the functions are providing direct core services to the District. Cost improvement options for core functions include alternative delivery methods either through other MMSD personnel or external sources, or creating efficiency within the function to allow for reduced cost.

**Decision Item # 32: RISK MANAGER (cont.)**

**Background:** (cont.) From a comparison viewpoint, middle to large size school districts typically have a position responsible for safety. Few of these districts have a position solely responsible for risk management. These functions are typically performed through facilities management or the business services office. Recently, more districts are considering adding a risk management position to manage rising insurance costs. Districts are also realizing the need for a close tie between the loss-control functions of a district and the insurance functions of a district. MMSD is appears to be on the front end of these risk management trends.

**Expenditures:** Dollars associated with 1.0 FTE Risk Manager.

MMSD's insurance costs in this area approximate \$1.3 million annually with a current mod rate of approximately 1.3. With mod rates adjusted over a rolling 3 year period, an actively managed claims program can begin reaping rewards after year 1, be fully implemented after year 3, and continuously managed thereafter to ensure cost effectiveness. For MMSD, the first 6 months following the start of the risk manager position has seen claims reduced significantly. Continuation of these results would likely see an insurance mod rate reduction closer to 1.0 and a corresponding rate reduction of 15-20% of the current \$1.3 million annually.

**Revenues:** NA

**FTE:** 1.0

**Anticipated Savings:** Based on our independent review of the risk manager position, we do not recommend reducing or eliminating this position. In fact, we likely would have recommended studying the need to add such a position for cost effectiveness reasons had the MMSD not already had the position in place. We commend the District for the close tie created between the safety and risk management functions, as they are very dependent upon each other.

**Student Impact:** NA

**Strategic Priorities:** NA

**Board Priorities:** NA

**Effectiveness:** NA

**Redundancies or Availability of the Service Elsewhere:**

While the District benefits from having a single person responsible for overseeing all aspects of Safety and Risk Management, the tasks could be broken out with responsibilities split among several Business Services functions within MMSD. The Safety portion of the position could be split from the Risk Management portion of the position. The specific tasks within these two .5 positions could also be split.

**Service Delivery:** NA