

Flossmoor School District No. 161

RISK MANAGEMENT PROGRAM

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1. INTRODUCTION

1.1 Policy

The Board of Education of Flossmoor School District No. 161 recognizes its role of stewardship over the assets of the District, both human and financial. It interprets its responsibility in this area as requiring the highest possible concern for the safety of its students and employees, and the public. The District shall therefore have in operation a comprehensive Risk Management Program designed to protect the District against liability or loss which may be imposed upon it or one of its employees for a tortious act, and to identify risk management, educational, inspectional and supervisory expenses directly attributable or relating to loss prevention and loss reduction.

The District recognizes its ability to budget for and thereby retain limited and predictable exposures to loss. It shall not be the District's practice to attempt to insure such foreseeable and bearable exposures, if alternatives can be achieved with due regard to sound risk management practices. Only when it is deemed that the District cannot eliminate or economically retain an exposure to loss shall it be transferred by purchase of insurance. Moreover, even if insurance is purchased, the District shall continue to perform sound risk management practices pursuant to this policy in order to minimize liability or loss and to reduce insurance premiums.

1.2 Purpose

It is of the utmost importance for the District to: (1) ensure the health and safety of all visitors, employees and students; (2) ensure District buildings and grounds are maintained in a safe condition; and (3) provide careful supervision of District property.

Risk management is a management tool to assess and mitigate events that might adversely impact the District. This Risk Management Program presents the process for implementing proactive risk management as part of the overall management of the District. This Program describes the framework for identifying, analyzing, prioritizing, and tracking loss exposures, and planning adequate resources to manage loss exposures. It assigns specific responsibilities for the management of risk and prescribes the processes to be followed.

1.3 Legal Authority

The Illinois Local Government and Governmental Employees Tort Immunity Act (745 ILCS 10/9-101 et seq.) authorizes a school district to levy a tax which, when collected, will pay the cost of risk management (Section 9-107). In addition, this Section allows funds raised pursuant to its provisions to be used to pay the cost of insurance, including all operating and administrative costs and expenses directly associated therewith, claim

services and risk management directly associated therewith, claim services and risk management directly attributable to loss prevention and loss reduction, educational, inspectional and supervisory services directly relating to loss prevention and loss reduction, to purchase claim services, to pay for judgments or settlements, or to otherwise pay the cost of risk management plans. The Illinois Appellate Court for the Second District has affirmed a school district's authority for such a levy and to pay such expenses in *In re Objections to Tax Levies of Freeport School Dist. No. 145 et al.*, 372 Ill. App.3d 562, 865 N.E.2d 361 (2nd Dist. 2007).

1.4 Program Summary

This Risk Management Program identifies and establishes an effective risk management process that uses the District's physical and human resources to effectuate the policy and achieve the purposes set forth herein. The steps in the risk management process accepted by the Second District Appellate Court in *In re Objections to Tax Levies of Freeport School Dist. No. 145 et al.* are incorporated herein as the basis of this Risk Management Program, namely: (1) identify and analyze loss exposures; (2) select techniques for treating loss exposures; (3) implement the selected techniques; and (4) monitor and modify the selected techniques. The District finds that the most effective manner in which to implement this Risk Management Program is to create a Risk Management Committee which will have the duty to apply all four steps of the risk management process.

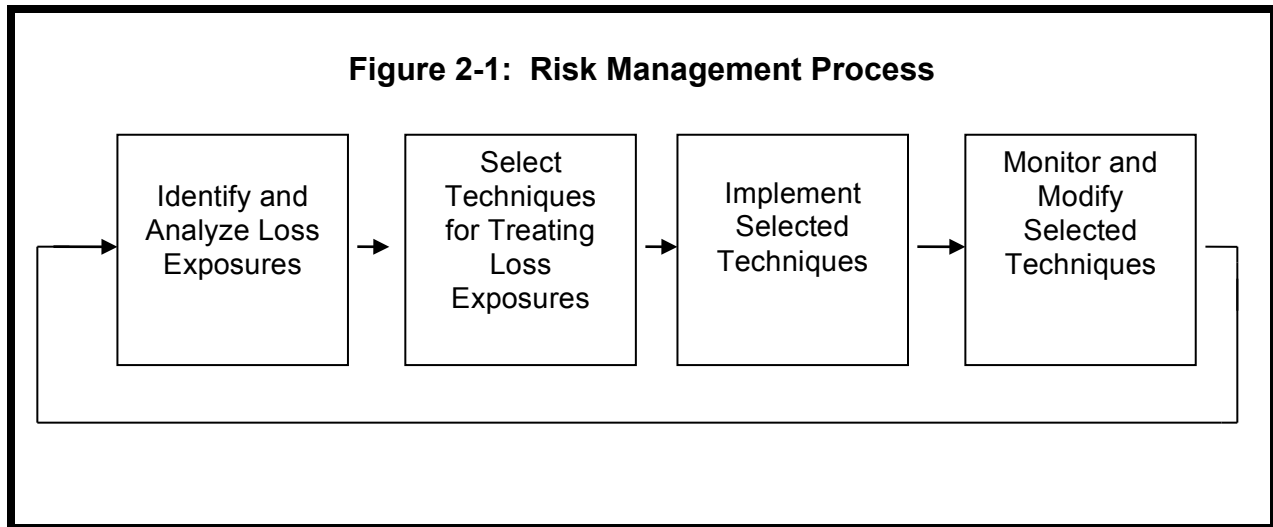
1.5 Supplementation, Clarification and Amendment

The policy, purpose, authority and program provided for in this Risk Management Program are not new to the District. Many District employees already perform the risk management process pursuant to the Districts' policies, practices and procedures. This Risk Management Program is therefore intended to supplement, and to the extent necessary clarify and amend the risk management plan adopted and revised on November 5, 2004, and those policies, practices and procedures, in order to implement risk management activities in the manner stated in this Risk Management Program.

2. RISK MANAGEMENT PROCESS

2.1 Overview

Figure 2-1 illustrates in general terms the overall Risk Management Process that will be followed. As seen, the Risk Management Process is a cyclical process, with each step in the process building on the results of the previous step. Each of the risk management steps shown in the figure below are described more fully in the following paragraphs.



A loss exposure is a set of circumstances that presents a possibility of loss, whether or not a loss actually takes place.¹ More specific in terms of this Risk Management Program, the loss exposures to be addressed are circumstances that would give rise to liability or loss which may be imposed upon the District or one of its employees for a tortious act. A tort is a wrong against another for which the law provides money damages as a remedy, such as a personal injury. A tort may include physical and/or emotional harm to a person, a violation of a person's legal rights, and/or physical harm to a person's property.

2.2 Identify and Analyze Loss Exposures

The first step in the Risk Management Process is to identify and analyze loss exposures. These steps include: (1) identifying persons and property that are exposed to loss and the perils that can cause the loss; and (2) measuring the potential frequency and severity of the loss exposures. Identification should be both a systematic and a continuing process to review all property, activities, and personnel to determine what loss exposures are faced by the District. Measurement should review the number of accidents that are likely to occur, how severe the dollar losses are likely to be, and the

¹ Williams, C. Arthur Jr., et al. *Principles of Risk Management and Insurance*, 2nd ed., American Institute for Property and Liability Underwriters, 1981, vol. I, p. 2,

variation in the potential losses in order to prioritize the exposures according to their importance.

2.3 Select Techniques for Treating Loss Exposures

After the loss exposures have been identified and analyzed, the second step in the Risk Management Process is to develop techniques to manage those exposures that are significant by analyzing various techniques and selecting those best fitted for each exposure. There are essentially four risk-managing techniques:

- (1) **Loss Exposure Avoidance**, which eliminates the sources of loss exposures and replaces them with lower risk solutions;
- (2) **Loss Transfer**, which is the reallocation of the exposure to others, such as the purchase of insurance;
- (3) **Loss Exposure Control**, which manages the loss in a manner that reduces the likelihood of its occurrence and/or minimizes the effect on the District; and
- (4) **Loss Exposure Assumption** (also known as “self-insurance”), which is the acknowledgment of the existence of a particular loss exposure and a conscious decision to accept the associated level of loss exposure with or without engaging any special efforts to control it.

Additionally, using a combination of the four techniques is also possible. In determining the “best” overall technique(s) for treating loss exposures, all potentially applicable techniques should be identified and evaluated, using the following criteria:

- Feasibility of the technique;
- Expected effectiveness of the technique;
- Cost implications of the technique; and
- Effect on the District’s performance.

2.4 Implement Selected Techniques

The third step in the Risk Management Process is to implement the selected techniques using the District’s physical and human resources. This step entails determining how to implement the selected techniques, identifying what person(s) will perform and monitor the techniques, and communicating that information to the appropriate personnel, and may also include any educational, inspectional, and supervisory tasks related thereto. The components of implementation may include but are not limited to educating the person(s) identified, and then supervising and inspecting the implementation of the

technique to ensure that the technique is properly implemented and that the technique is achieving the desired results.

2.5 Monitor and Modify the Selected Techniques

The fourth step in the Risk Management Process is to monitor the implementation of the techniques to determine whether they should be modified. Key components of this step in the Risk Management Process are the supervision and inspection of the implementation of the technique, which will reveal if the technique is successfully addressing the loss exposures identified in step one. The Board finds that the most effective manner to monitor the selected techniques includes not only supervision and inspection by the District administration, but also requires self-reporting by the person(s) selected to implement the techniques because those person(s) are in a unique position to most readily evaluate the effectiveness of the selected techniques. If a technique is not working and a correction is warranted, the first three steps in the risk management process should be repeated.

3. RISK MANAGEMENT.

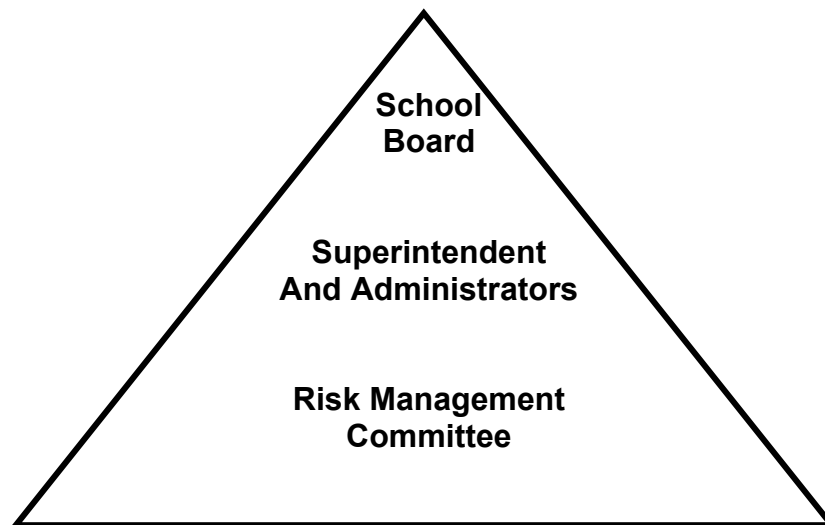
3.1 Overview

The District finds that the most effective manner in which to implement this Risk Management Program is to create a Risk Management Committee which will have the duty to apply all four steps of the Risk Management Process.

3.2 Risk Management Organization

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should oversee, coordinate, and assign responsibilities for implementing this Risk Management Program, and shall report to the School Board. The Risk Management Committee should develop the overall risk management analytical framework, perform the Risk Management Process, and report to the Superintendent. Figure 3.2 illustrates the risk management organization.

Figures 3.2: Risk Management Organization



3.2.1 Superintendent, Assistant Superintendent of Business Operations, and Other Designated Administrators

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators have the general responsibility for the implementation and maintenance of this Risk Management Program. They should continually evaluate the effectiveness of the Program and be apprised of needed revisions, additions or deletions to the components and assigned responsibilities.

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should assign District employees to serve on the Risk Management Committee, and should also be members of the Committee.

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should review and consider the results of the Risk Management Process performed by the Risk Management Committee, and perform the Risk Management Process for the areas over which they have sole responsibility.

In performing their responsibilities, they should:

- Finalize changes, if any, to District policies, practices and procedures and job descriptions to implement and/or monitor the selected risk management techniques and communicate them to all District employees;
- Modify job descriptions for each employee who will be implementing and/or monitoring the selected risk management techniques;
- Ensure that each employee is aware of his/her revised job description that relate to his/her part in implementing and/or monitoring the selected risk management techniques;
- Provide training to an employee if necessary to support his/her responsibilities for implementing and/or monitoring the selected risk management techniques;
- Monitor the overall success/failure of the selected risk management techniques on a regular basis, and revise the techniques and District policies, practices and procedures and job descriptions as necessary; and
- Report to the Board on the Risk Management Program.

3.2.2 Risk Management Committee

The members of the Risk Management Committee should perform the Risk Management Process. In performing their responsibilities, the Committee should:

- Communicate the results of their performances of the Risk Management Process to the other members of the Committee;
- Prepare recommended changes, if any, to District policies, practices and procedure to implement and/or monitor the selected risk management techniques;
- Recommend job descriptions for each employee who will be implementing and/or monitoring the selected risk management techniques;

- Ensure that each employee is aware of his/her revised job description that relate to his/her part in implementing and/or monitoring the selected risk management techniques;
- Provide training to an employee if necessary to support his/her responsibilities for implementing and/or monitoring the selected risk management techniques;
- Monitor the overall success/failure of the selected risk management techniques on a regular basis, and revise the techniques and District policies, practices and procedures and job descriptions as necessary; and
- Report to the Superintendent.

The job description of every employee position affected is hereby revised to include the extra duties and responsibilities required to fully implement and evaluate the risk management components of this Risk Management Program.

4. RISK MANAGEMENT IMPLEMENTATION

4.1 Overview

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators initiate this Risk Management Program by selecting the members of the Risk Management Committee. The Committee will perform the Risk Management Process. The Committee should analyze the results of the performance of the Risk Management Process, and recommended changes, if any, to District policies, practices and procedure and employee job descriptions to implement and/or monitor the selected risk management techniques. The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should finalize and communicate the changes, if any, to District policies, practices and procedure, and employee job descriptions in order to implement and/or monitor the selected risk management techniques. The Committee continually monitors the Risk Management Program.

4.2 Implementation of the Risk Management Program

4.2.1 Selection of the Risk Management Committee

The general responsibility for the implementation and maintenance of this Risk Management Program rests with the Superintendent, Assistant Superintendent of Business Operations, and other designated administrators. They should continually evaluate the effectiveness of the Program and be apprised of needed revisions, additions or deletions to the components and assigned responsibilities.

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should select the members of the Risk Management Committee, and also serve as members of the Committee. The number of members for each committee should only be as many as are needed to provide a broad overview of the District's risks, but should be sufficient to include a group of employees that are knowledgeable about the full breadth of the District's operations, including those most directly related to: (1) the health and safety of all visitors, employees and students; (2) District buildings and grounds; and (3) District property. The members of the Committee should be provided copies of this Risk Management Program.

4.2.2 Risk Management Committee Performs the Risk Management Process

The Risk Management Committee should analyze each area of risk to evaluate its applicability to the District and its potential impact, and should perform the Risk Management Process. The Committee may form subcommittees as necessary to research and report on specific topics.

4.2.3 Risk Management Committee Analyzes the Results of the Risk Management Process and Recommends Changes, if any, to District Policies, Practices and Procedure and Job Descriptions to Implement and/or Monitor the Selected Risk Management Techniques.

The Committee should discuss and analyze the results of the Risk Management Process to develop a consensus on the potential frequency and severity of losses associated with the District's risks, and to prioritize the risks for intervention.

The Risk Management Committee should report its findings, including the risks identified, techniques considered, and the recommended techniques for implementation and monitoring to the Superintendent, Assistant Superintendent of Business Operations, and other designated administrators, and should recommend changes, if any, to District policies, practices, and procedures and employee job descriptions to the Superintendent, Assistant Superintendent of Business Operations, and other designated administrators.

4.2.4 Finalizing Changes, if any, to District Policies, Practices, and Procedures, and Job Descriptions.

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should prioritize the risks identified, select techniques, and implement and monitor the techniques selected. They should work closely with the Risk Management Committee, particularly within the areas of operation that will implement the techniques selected. They may appoint persons to act as liaisons to applicable areas of operation. The selected techniques and monitoring methods should be implemented by maintaining, modifying, adding, deleting, or otherwise changing the policies, practices and procedures of the District and/or the training, responsibilities and job descriptions of District employees. Such changes may include requiring District employees to perform certain tasks, as well as inspecting and supervising others.

4.2.5 Communication and Implementation of the Selected Techniques and Monitoring Methods

The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators should communicate the changes, if any, to District policies, practices, and procedures, and employee job descriptions to the District employees in a manner deemed most effective and efficient. It will then be the responsibility of all District employees to implement the selected techniques and/or monitoring methods.

Implementation of the Program is an ongoing process, and the Superintendent, Assistant Superintendent of Business Operations, and other designated administrators generally have primary responsibility for monitoring implementation and ensuring that the ongoing work of the Risk Management Committee (and operational areas) occurs. The Committee is responsible for monitoring the District's losses and identifying and analyzing any changes in risks.

4.4 Allocation of Compensation

For purposes of properly levying for the expenses of this Risk Management Program pursuant to the Illinois Local Government and Governmental Employees Tort Immunity Act (745 ILCS 10/9-101 et seq.) and *In re Objections to Tax Levies of Freeport School Dist. No. 145 et al.*, 372 Ill. App.3d 562, 865 N.E.2d 361 (2nd Dist. 2007), it is necessary to determine what portion of each District employee's compensation is attributed to his/her responsibilities under this Risk Management Program and District policies, practices and procedure to implement and/or monitor the selected risk management techniques. The Superintendent, Assistant Superintendent of Business Operations, and other designated administrators, with the assistance of the Risk Management Committee, should estimate the portion of each District employee's spent on this Risk Management Program and District policies, practices and procedure to implement and/or monitor the selected risk management techniques. The Superintendent shall report to the Board the allocations determined for purposes of allocating a particular portion of an employee's compensation to the Tort Immunity levy. Performing ordinary duties with due care shall not be allocated and chargeable to the Tort Immunity levy. The Superintendent's report may be similar to the form reflected in Exhibit A hereto.

The Board shall review the Superintendent's recommended allocations of compensation to the tort levy. The Board may adopt the Tort Immunity Levy based on the Superintendent's report and in accordance with the Illinois Local Government and Governmental Employees Tort Immunity Act (745 ILCS 10/9-101 et seq.) and *In re Objections to Tax Levies of Freeport School Dist. No. 145 et al.*, 372 Ill. App.3d 562, 865 N.E.2d 361 (2nd Dist. 2007). Notwithstanding the foregoing, it is the policy of the District that all non-compensation related expenditures shall be paid first out of taxes collected pursuant to the Tort Immunity levy, and that the compensation allocated for risk management purposes shall only be paid from taxes remaining after such non-compensation expenditures.

Superintendent's Report of Recommended Compensation Allocations

Pursuant to the Tort Immunity Levy

The following compensation allocations are recommended to be charged to and payable with, Tort Immunity Levy Funds during the 2012 fiscal year. Specific job duties for each included employee are described in the Risk Management Program and District policies, practices and procedures and job descriptions.

<u>TITLE</u>	<u>COMPENSATION ALLOCATION</u>
Superintendent	*10% of salary
Assistant to the Superintendent	*10% of salary
Assistant Superintendent of Business Operations	*10% of salary
Maintenance Supervisor	*10% of salary
Principals	*5% of salary
Assistant Principals	*5% of salary
Support Staff	
Nurses	*10% of salary
Security Guards	*10% of salary
Crossing Guards	*100% of salary
Transportation	*10% of salary
Supervisors	
Athletic & Extra Curricular	*10% of salary

Note: * Up to and not to exceed