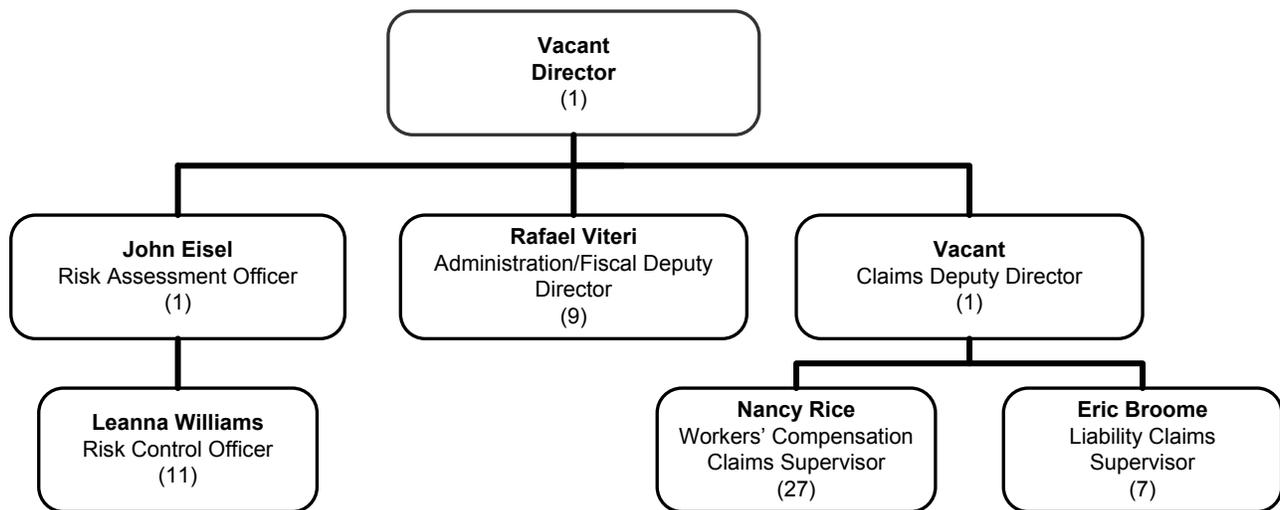


RISK MANAGEMENT

DEPARTMENT MISSION STATEMENT

Risk Management seeks to minimize the frequency and severity of financial loss to the County through an Integrated Risk Management Program that includes identification and assessment of exposures that can result in loss, effective risk reduction and loss prevention programs for identified risks, aggressive claims management, and fiscally responsible risk financing and recovery.

ORGANIZATIONAL CHART



2013-14 ACCOMPLISHMENTS

- In an effort to continue to look for best insurance options and hold down premium increases, Risk Management contacted CSAC-EIA (California State Association of Counties – Excess Insurance Authority) for possible membership consideration and was approved by the Executive Committee in January 2014. Risk Management successfully negotiated the renewal of the property coverage through CSAC-EIA for substantially broader coverage, lower sub-limits, fewer exclusions, and less coverage restrictions for a premium of approximately \$4 million with net savings of \$1.1 million over the current policy.
- Conducted a training seminar with Human Services, Department of Children and Family Services (CFS), on Civil Liability in Child Welfare Cases. The discussions at this seminar resulted in CFS, Risk Management, and County Counsel agreeing to review and modify contracts and hold harmless agreements between the County and Foster Family Agencies that do business with the County.
- Negotiated Medical Malpractice coverage for the policy period of October 2013 through July 2014 with BETA Risk Management Authority for an annual premium decrease for 2013-14 of approximately 9.24% or \$134,444 over the 2012-13 premiums.
- Completed the State of California performance audit of the County Workers' Compensation Program, which resulted in no payment of administrative penalties.
- Provided experienced Workers' Comp claims adjusters to County departments to assist with department specific training at no cost to the departments.
- Provided the ability for departments to submit County-involved incidents electronically. It is a simple, user-friendly process. Over 50% of County departments will be trained by July 2014.



- Conducted quarterly meetings with ARMC to review their higher exposure claims. Worked closely with ARMC and implemented new procedures for the handling of medical malpractice claims. This has resulted in Risk Management handling medical malpractice claims more proactively than in the past.
- Utilized community resources to assist with the state-mandated Workers' Comp claims adjuster training necessary to maintain the high level of skill needed to provide prompt and professional service to injured County employees, while mitigating exposure to penalties, interest and unnecessary costs and expenses. This is a savings of approximately \$400 per required annual training class per adjuster.

COUNTY GOALS AND OBJECTIVES AND DEPARTMENT PERFORMANCE MEASURES

COUNTY GOAL: OPERATE IN A FISCALLY-RESPONSIBLE AND BUSINESS-LIKE MANNER
Objective(s): • *Live within our means, fully funding the maintenance of infrastructure and facilities, the provision of state-of-the-art basic operating systems, liabilities, and reserves; while forming capital to strategically invest in the future.*

Department Strategy: • *Minimize the total cost of risk, through the optimization of insurance vs. risk retention.*

	2012-13	2013-14	2013-14	2014-15
Measurement	Actual	Target	Actual	Target
Cost of risk as a percent of County budget.	1.75%	<2%	1.83%	<2%

COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS
Objective(s): • *Monitor and evaluate operations and implement strategies to continually improve efficiency and effectiveness.*

Department Strategy: • *Provide formal training courses and informal consultation targeting safety, loss control, and risk transfer needs as identified by departments.*

	2012-13	2013-14	2013-14	2014-15
Measurement	Actual	Target	Actual	Target
Number of people who are trained.	2,168	2,710	3,837	6,307



COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS

Objective(s): • *Monitor and evaluate operations and implement strategies to continually improve efficiency and effectiveness.*

Department Strategy: • *Ensure injured employees receive timely explanation of benefits by decreasing the time it takes to mail the acceptance letter or delay notice (initial correspondence).*

Measurement	2012-13 Actual	2013-14 Target	2013-14 Actual	2014-15 Target
Number of days from date of receipt of claim form to mailing of initial correspondence.	N/A	N/A	N/A	14

COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS

Objective(s): • *Monitor and evaluate operations and implement strategies to continually improve efficiency and effectiveness.*

Department Strategy: • *Reduce the number of catastrophic/high exposure cases resulting in lawsuits by resolving these claims pre-litigation.*

Measurement	2012-13 Actual	2013-14 Target	2013-14 Actual	2014-15 Target
Percentage of catastrophic cases referred for pre-litigation handling.	N/A	N/A	N/A	5%



SUMMARY OF BUDGET UNITS

	2014-15					
	Requirements	Sources	Net County Cost	Fund Balance	Net Budget	Staffing
Internal Service Funds						
Operations	5,905,344	5,905,344			0	57
Insurance Funds	96,845,889	89,389,185			(7,456,704)	0
Total Internal Service Funds	102,751,233	95,294,529			(7,456,704)	57

5-YEAR REQUIREMENTS TREND					
	2010-11	2011-12	2012-13	2013-14	2014-15
Operations	5,869,647	5,847,272	6,382,955	6,362,438	5,905,344
Insurance Programs	67,582,150	73,666,148	93,526,031	99,316,796	96,845,889
Total	73,451,797	79,513,420	99,908,986	105,679,234	102,751,233

5-YEAR SOURCES TREND					
	2010-11	2011-12	2012-13	2013-14	2014-15
Operations	6,351,588	5,794,537	6,357,955	6,362,438	5,905,344
Insurance Programs	62,912,172	67,269,962	68,436,912	70,988,422	89,389,185
Total	69,263,760	73,064,499	74,794,867	77,350,860	95,294,529

5-YEAR NET BUDGET TREND					
	2010-11	2011-12	2012-13	2013-14	2014-15
Operations	481,941	(52,735)	(25,000)	0	0
Insurance Programs	(4,669,978)	(6,396,186)	(25,089,119)	(28,328,374)	(7,456,704)
Total	(4,188,037)	(6,448,921)	(25,114,119)	(28,328,374)	(7,456,704)

Note: Beginning in fiscal year 2012-13, Capital Expenditures have been included and Depreciation has been excluded in Requirements in enterprise and internal service funds for budgetary purposes. In the table above, prior years have been restated for consistency.



Operations

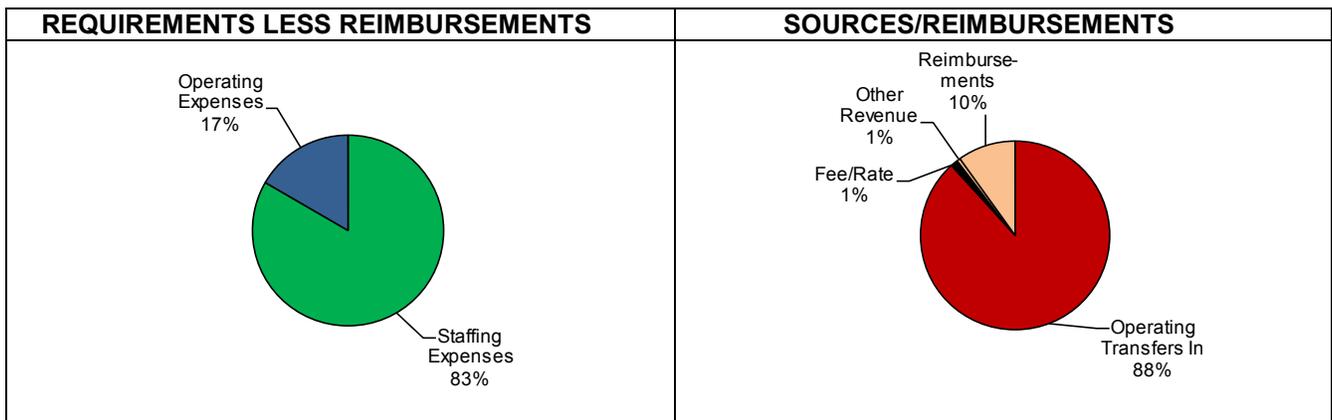
DESCRIPTION OF MAJOR SERVICES

Risk Management administers the County's self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs and its insured programs. All programs are paid from self-insurance funds and financed by charging general fund and non-general fund departments, as well as Board-Governed Special Districts and County Service Areas. Each is billed for its specific coverage for the cost to pay losses under the self-insured programs and the cost of insurance for the insured programs.

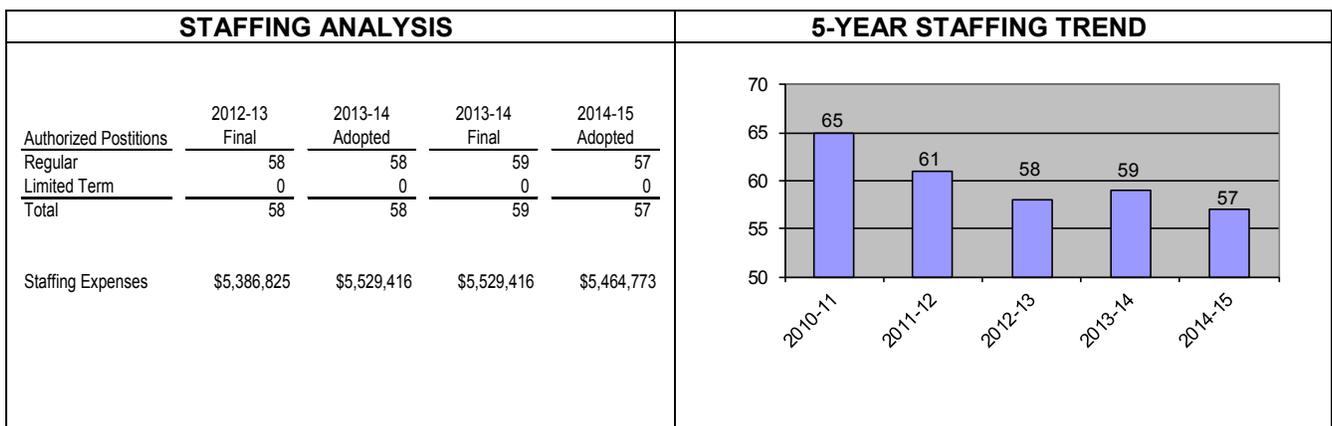
Budget at a Glance	
Requirements Less Reimbursements*	\$6,554,426
Sources/Reimbursements	\$6,554,426
Net Budget	\$0
Estimated Unrestricted Net Assets	\$204,964
Use of Unrestricted Net Assets	\$0
Total Staff	57
<small>*Includes Contingencies</small>	

The Risk Management budget unit is an internal service fund (ISF). All operational costs are financed through Board-approved rates. As an ISF, any unrestricted net assets available at the end of a fiscal year are carried over to the next fiscal year to provide working capital, finance the replacement of fixed assets, and fund capital improvements. Any excess/shortage is incorporated into the rate structure during the annual rate review process.

2014-15 ADOPTED BUDGET



BUDGETED STAFFING



ANALYSIS OF 2014-15 ADOPTED BUDGET

GROUP: Administration
DEPARTMENT: Risk Management
FUND: Risk Mgmt General Operations

BUDGET UNIT: IBP RMG
FUNCTION: General
ACTIVITY: Other General

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2013-14 Final Budget	2014-15 Adopted Budget	Change From 2013-14 Final Budget
Requirements							
Staffing Expenses	5,243,193	5,118,796	5,078,130	5,228,966	5,529,416	5,464,773	(64,643)
Operating Expenses	1,160,681	1,323,224	1,547,328	1,347,222	1,461,645	1,089,653	(371,992)
Capital Expenditures	35,822	52,735	0	0	0	0	0
Contingencies	0	0	0	0	0	0	0
Total Exp Authority	6,439,696	6,494,755	6,625,458	6,576,188	6,991,061	6,554,426	(436,635)
Reimbursements	(570,052)	(634,025)	(621,566)	(628,623)	(628,623)	(649,082)	(20,459)
Total Appropriation	5,869,644	5,860,730	6,003,892	5,947,565	6,362,438	5,905,344	(457,094)
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	5,869,644	5,860,730	6,003,892	5,947,565	6,362,438	5,905,344	(457,094)
Sources							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	125,214	106,155	106,961	93,387	110,000	90,000	(20,000)
Other Revenue	(12,133)	(197,608)	(477,354)	(626,690)	25,000	30,000	5,000
Total Revenue	113,081	(91,453)	(370,393)	(533,303)	135,000	120,000	(15,000)
Operating Transfers In	6,238,507	5,920,689	6,183,948	6,227,438	6,227,438	5,785,344	(442,094)
Total Sources	6,351,588	5,829,236	5,813,555	5,694,135	6,362,438	5,905,344	(457,094)
Net Budget*	481,944	(31,494)	(190,337)	(253,430)	0	0	0
				Budgeted Staffing	59	57	(2)

*Net Budget reflects Total Sources less Total Requirements for Internal Service and Enterprise funds. When Net Budget is negative, it means that the department will be using assets that have been carried over from the prior year.

MAJOR EXPENDITURES AND REVENUE IN 2014-15 ADOPTED BUDGET

Staffing expenses of \$5.5 million comprise the majority of expenditures in this budget unit for 2014-15. These expenses fund 57 budgeted positions and are necessary to administer the County's insurance programs.

Sources of \$5.9 million are primarily operating transfers in from the insurance funds to cover the cost of department staff and operating expenses.

BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are decreasing by \$457,094 due to a decrease in COWCAP expense.

Sources are decreasing by the same amount, primarily due to lower operating transfers in from the insurance funds. This also includes lower projected administrative fee revenue from the Emergency Medical Services Program and an expected increase in interest revenue.

STAFFING CHANGES AND OPERATIONAL IMPACT

Staffing expenses of \$5.5 million fund 57 budgeted regular positions. The department staffing will be reduced due to the transfer of 2 Application Specialists to ISD as part of the overall effort to consolidate information technology services.



2014-15 POSITION SUMMARY

Division	Regular	Limited Term	Total	Filled	Vacant	New	Total
Administration	11	0	11	10	1	0	11
Liability Claims	7	0	7	7	0	0	7
Risk Control	12	0	12	11	1	0	12
Worker's Compensation Claims	27	0	27	27	0	0	27
Total	57	0	57	55	2	0	57

Administration	Liability Claims	Risk Control
<u>Classification</u>	<u>Classification</u>	<u>Classification</u>
1 Accountant II	1 Liability Claims Representative I	5 Dept. Risk Control Specialist
1 Accounting Technician	1 Liability Claims Representative III	1 Office Assistant III
2 Deputy Director of Risk Mgmt	3 Liability Claims Representative	1 Risk Control Officer
1 Director of Risk Management	1 Office Assistant III	1 Risk Assessment Officer
1 Executive Secretary II	1 Supvg Liability Claims Rep	3 Risk Control Specialist
2 Fiscal Assistant	7 Total	1 Staff Analyst II
1 Office Assistant II		12 Total
1 Staff Analyst I		
1 Staff Analyst II		
11 Total		
 Worker's Compensation Claims		
<u>Classification</u>		
7 Claims Assistant		
1 Fiscal Assistant		
1 Medical Only Claims Adjuster		
2 Office Assistant II		
1 Office Assistant III		
1 Supv Workers Comp Adjuster		
13 Workers Comp Adjuster II		
1 Workers Comp Adjuster III		
27 Total		



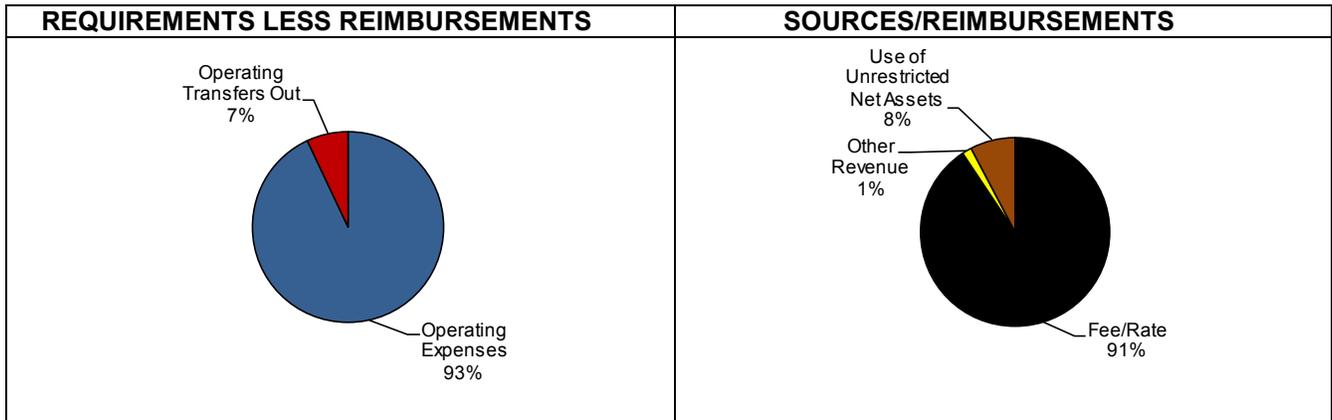
Insurance Programs

DESCRIPTION OF MAJOR SERVICES

Risk Management administers the County's self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs and its insured programs. All programs are paid from self-insurance funds and financed by charging general fund and non-general fund departments, as well as Board-Governed Special Districts and County Service Areas. Each is billed for its specific coverage for the cost to pay losses under the self-insured programs and the cost of insurance for the insured programs.

Budget at a Glance	
Requirements Less Reimbursements*	\$96,845,889
Sources/Reimbursements	\$89,389,185
Net Budget	(\$7,456,704)
Estimated Unrestricted Net Assets	\$10,747,053
Use of Unrestricted Net Assets	\$7,456,704
Total Staff	0
<small>*Includes Contingencies</small>	

2014-15 ADOPTED BUDGET



ANALYSIS OF 2014-15 ADOPTED BUDGET

GROUP: Administration
DEPARTMENT: Risk Management
FUND: Insurance Programs

BUDGET UNIT: VARIOUS
FUNCTION: General
ACTIVITY: Insurance Programs

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2013-14 Final Budget	2014-15 Adopted Budget	Change From 2013-14 Final Budget
Requirements							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	60,568,396	67,173,901	62,512,745	68,403,173	92,088,831	90,060,545	(2,028,286)
Capital Expenditures	0	9,110	7,457	0	527	0	(527)
Contingencies	0	0	0	0	0	0	0
Total Exp Authority	60,568,396	67,183,011	62,520,202	68,403,173	92,089,358	90,060,545	(2,028,813)
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	60,568,396	67,183,011	62,520,202	68,403,173	92,089,358	90,060,545	(2,028,813)
Operating Transfers Out	6,558,844	6,235,825	7,059,078	6,262,212	7,227,438	6,785,344	(442,094)
Total Requirements	67,127,240	73,418,836	69,579,280	74,665,385	99,316,796	96,845,889	(2,470,907)
Sources							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	58,486,072	67,268,843	68,078,017	84,186,876	63,796,500	87,805,500	24,009,000
Other Revenue	3,415,163	2,334,747	3,075,228	3,786,298	7,191,922	1,583,685	(5,608,237)
Total Revenue	61,901,235	69,603,590	71,153,245	87,973,174	70,988,422	89,389,185	18,400,763
Operating Transfers In	0	0	(60,720,621)	0	0	0	0
Total Sources	61,901,235	69,603,590	10,432,624	87,973,174	70,988,422	89,389,185	18,400,763
Net Budget*	(5,226,005)	(3,815,246)	(59,146,656)	13,307,789	(28,328,374)	(7,456,704)	20,871,670
				Budgeted Staffing	0	0	0

*Net Budget reflects Total Sources less Total Requirements for Internal Service and Enterprise funds. When Net Budget is negative, it means that the department will be using assets that have been carried over from the prior year.

MAJOR EXPENDITURES AND REVENUE IN 2014-15 ADOPTED BUDGET

Operating expenses of \$90.1 million include judgment and settlement costs, medical treatment and expenses, temporary disability and loss earnings, property insurance, and legal defense services.

Operating transfers out of \$6.8 million include \$5.8 million in funding to the Operations budget unit and \$1.0 million in anticipated reimbursements to departments for claims costs.

Sources of \$89.4 million include \$87.8 million in insurance premiums collected from user departments.

BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are decreasing by \$2.5 million as a result of lower operating expenses due to an anticipated decrease in settlements as well as decreased operating transfers out representing lower program administration expenses.

Sources are increasing by \$18.4 million primarily due to additional premium allocations to the Workers' Compensation, General Liability, Law Enforcement Liability, and Auto Liability Programs that will help them reach the 80% confidence level of funding. It also includes a slight increase in anticipated interest revenue and insurance recoveries.

The use of \$7.5 million in unrestricted net assets is to pay additional catastrophic claims expected to be resolved in 2014-15.

STAFFING CHANGES AND OPERATIONAL IMPACT

There is no staffing associated with this budget unit. Staff that administers these insurance programs are budgeted in Risk Management's Operations budget unit.

