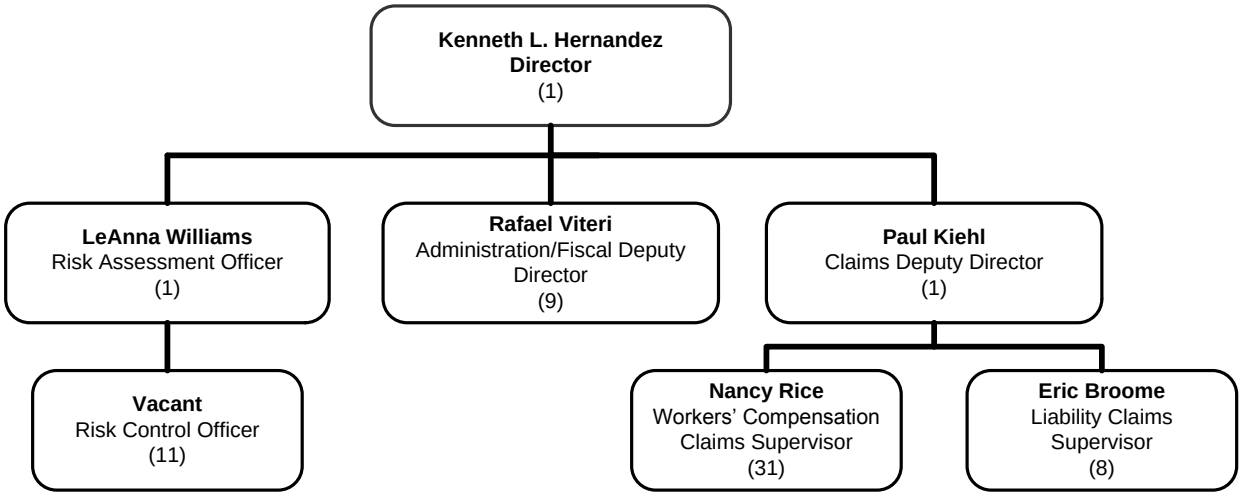
RISK MANAGEMENT
Kenneth L. Hernandez

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



2016-17 SUMMARY OF BUDGET UNITS

	2016-17					
	Requirements	Sources	Net County Cost	Use of / (Contribution to) Fund Balance	Use of / (Contribution to) Net Position	Staffing
Internal Service Funds						
Operations	125,000	125,173			(173)	62
Insurance Programs	106,171,377	103,322,700			2,848,677	0
Total Internal Service Funds	106,296,377	103,447,873	0	0	2,848,504	62
Total - All Funds	106,296,377	103,447,873	0	0	2,848,504	62

2015-16 MAJOR ACCOMPLISHMENTS

- Responded to the Waterman Incident that involved Public Health (Environmental Health Division) employees. Risk Management set up claims and reserves for the deceased and injured, and personally met with victims and their families at various hospitals. Risk Management participated in the Family Assistance Center Resources meetings and other meetings to assist victims and/or their families with their claims.
- Converted Workers' Compensation program from a self-insured cash basis to a program with excess insurance purchased from CSAC-EIA (California State Association of Counties - Excess Insurance Authority) by buying an insurance policy with statutory limits and a self-insured retention (SIR) of $2.0 million, effective July 1, 2015.
- Obtained a Compromise and Release resolution on 53 claims, closing future liability, and obtained several Take Nothing settlements.
- Referred 24 incidents and claims to pre-litigation handling as of the third quarter which is an increase of one incident and claim from 2014-15. This has allowed Risk Management to gain better control, resulting in less expensive resolutions in certain cases.
- Collaborated with County Counsel and Children and Family Services in updating contractual agreements and insurance requirements from Foster Family Agencies that the County does business with.
- Recovered $5.9 million in a bad faith insurance case against the insurance carrier for the catastrophic flooding event that occurred in Highland in December of 2010.
- Provided rapid response to large first party property incidents, reducing the severity of the damages.
- Coordinated with Federal Highway Administration to present ADA 'public rights-of-way' training for Public Works staff.
- Coordinated with Pacific ADA Center, Center on Deafness Inland Empire, and Greater Los Angeles Agency on Deafness (GLAD) to present training for Departmental ADA Coordinators.

DEPARTMENT PERFORMANCE MEASURES

COUNTY GOAL: OPERATE IN A FISCALLY-RESPONSIBLE AND BUSINESS-LIKE MANNER		Measure	2014-15 Actual	2015-16 Target	2015-16 Est.	2016-17 Target
OBJECTIVE	**Develop a long-term budget plan which brings County operations into both fiscal and programmatic balance, including full funding of reserves for infrastructure and operating system maintenance and replacement.**	Cost of risk as a percent of County budget.	1.46%	<2%	1.57%	<2%
STRATEGY	Minimize the total cost of risk, through the optimization of insurance vs. risk retention.					
COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS		**Measure**	**2014-15 Actual**	**2015-16 Target**	**2015-16 Est.**	**2016-17 Target**
OBJECTIVE	**Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness and collaboration.**	Number of employees who are trained.	4,670	5,000	5,021	5,100
STRATEGY	Provide formal training courses and informal consultation targeting safety, loss control, and risk transfer needs as identified by departments.					
COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS		**Measure**	**2014-15 Actual**	**2015-16 Target**	**2015-16 Est.**	**2016-17 Target**
OBJECTIVE	**Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness and collaboration.**	Number of days from date of receipt of claim form to mailing of initial correspondence.	18	12	12	12
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).					
COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS		**Measure**	**2014-15 Actual**	**2015-16 Target**	**2015-16 Est.**	**2016-17 Target**
OBJECTIVE	**Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness and collaboration.**	Percentage of catastrophic cases referred for pre-litigation handling.	27%	25%	27%	25%
STRATEGY	Reduce the number of catastrophic/high exposure cases resulting in lawsuits by resolving these pre-litigation.					

Operations

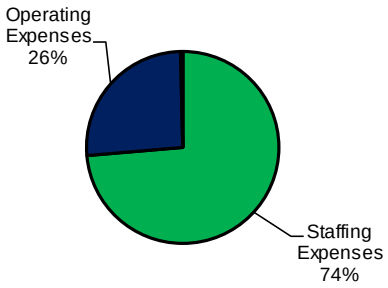
DESCRIPTION OF MAJOR SERVICES

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.

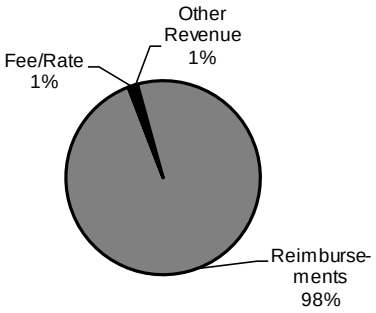
Budget at a Glance	
Total Requirements (Excl. Reimb.)	$7,927,452
Total Sources (Incl. Reimb.)	$7,927,625
Use of / (Contribution To) Net Position	($173)
Total Staff	62

2016-17 RECOMMENDED BUDGET

TOTAL REQUIREMENTS
(EXCLUDING REIMBURSEMENTS)



TOTAL SOURCES
(INCLUDING REIMBURSEMENTS)



ANALYSIS OF 2016-17 RECOMMENDED BUDGET

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

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

	2012-13 Actual	2013-14 Actual	2014-15 Actual	(A) 2015-16 Modified Budget	2015-16 Estimate	(B) 2016-17 Recommended Budget	(B-A) Change From Prior Year Modified Budget
Requirements							
Staffing Expenses	5,078,130	5,228,966	4,966,954	5,413,805	5,224,685	5,838,378	**424,573**
Operating Expenses	1,547,328	1,347,222	1,052,866	1,348,054	1,294,682	2,061,074	**713,020**
Capital Expenditures	0	0	0	0	0	28,000	**28,000**
Total Exp Authority	6,625,458	6,576,188	6,019,820	6,761,859	6,519,367	7,927,452	**1,165,593**
Reimbursements	(621,566)	(628,623)	(649,082)	(651,633)	(651,633)	(7,802,452)	**(7,150,819)**
Total Appropriation	6,003,892	5,947,565	5,370,738	6,110,226	5,867,734	125,000	**(5,985,226)**
Operating Transfers Out	0	0	0	0	0	0	**0**
Total Requirements	6,003,892	5,947,565	5,370,738	6,110,226	5,867,734	125,000	**(5,985,226)**
Sources							
Taxes	0	0	0	0	0	0	**0**
Realignment	0	0	0	0	0	0	**0**
State/Fed/Other Government	0	0	0	0	0	0	**0**
Fee/Rate	106,961	93,387	83,047	100,000	90,000	85,000	**(15,000)**
Other Revenue	(477,354)	(626,690)	(295,806)	30,173	(895,575)	40,173	**10,000**
Total Revenue	(370,393)	(533,303)	(212,759)	130,173	(805,575)	125,173	**(5,000)**
Operating Transfers In	6,183,948	6,227,438	5,785,344	5,819,976	5,819,976	0	**(5,819,976)**
Total Financing Sources	5,813,555	5,694,135	5,572,585	5,950,149	5,014,401	125,173	**(5,824,976)**
Net Position							
Use of/ (Contribution to) Net Position**	190,337	253,430	(201,847)	160,077	853,333	(173)	**(160,250)**
Est. Net Position Available						173	
Total Est. Unrestricted Net Position						0	
Budgeted Staffing*	58	59	57	58	58	62	**4**

*Data represents modified budgeted staffing
**Contribution to Net Position appears as a negative number and increases Estimated Net Position Available.

Note: Unlike governmental funds, the 2015-16 Modified Budget and Estimate columns do not include information on Estimated Net Position Available or Total Estimated Unrestricted Net Position because GAAP requires that internal service and enterprise funds include line items such as depreciation, which are not budgeted, in the Net Position calculation.

MAJOR REQUIREMENTS AND SOURCES IN 2016-17 RECOMMENDED BUDGET

Staffing Expenses of $5.8 million represent the majority of the requirements within this budget unit and fund 62 budgeted positions which are necessary to administer the County's insurance programs.

Sources of $125,173 primarily consist of interest and Emergency Medical Services administrative fee.

BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are decreasing by $6.0 million primarily due to the reclassification of Operating Transfers In to Reimbursements. Staffing Expenses are higher primarily due to the addition of four positions to the Workers' Compensation, Liability and Risk Control Divisions. Operating Expenses are increasing due to an increase in COWCAP, office remodel, and computer application charges.

Sources are decreasing by $5.8 million primarily due to the reclassification of sources to reimbursements discussed above, and also includes lower projected administrative fee revenue from the Emergency Medical Services Program of $85,000 and an expected increased amount of interest revenue.

ANALYSIS OF NET POSITION

All services in this budget unit are provided on a cost-reimbursement basis from the insurance funds. In fiscal years where the result of operations contributes to Net Position, these funds are transferred back to the insurance funds that fund this operating budget unit.

2016-17 POSITION SUMMARY*

Division	2015-16 Modified Staffing	Adds	Deletes	Re-Orgs	2016-17 Recommended	Limited	Regular
Admin/Fiscal	11	0	0	0	11	0	11
Workers' Compensation	29	2	0	0	31	1	30
Liability	7	1	0	0	8	0	8
Risk Control	11	1	0	0	12	0	12
Total	58	4	0	0	62	1	61

*Detailed classification listing available in Appendix D.

STAFFING CHANGES AND OPERATIONAL IMPACT

Staffing Expenses of $5.8 million fund 62 budgeted positions of which 61 are regular positions and one is a limited term position. Four regular positions have been added: two Workers' Compensation Adjusters II, one Liability Claims Representative II, and one Departmental Risk Control Specialist, to assist with claims handling due to an unexpected increase in claims related to the Waterman Incident, City of San Bernardino Fire annexation to County Fire, and to reduce claims per adjuster ratio.

Insurance Programs

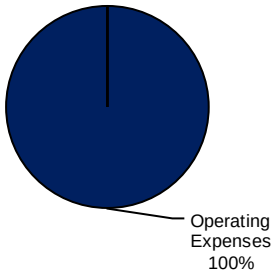
DESCRIPTION OF MAJOR SERVICES

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 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.

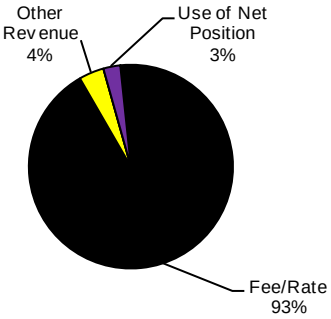
Budget at a Glance	
Total Requirements (Excl. Reimb.)	$106,171,377
Total Sources (Incl. Reimb.)	$103,322,700
Use of / (Contribution To) Net Position	$2,848,677
Total Staff	0

2016-17 RECOMMENDED BUDGET

TOTAL REQUIREMENTS
(EXCLUDING REIMBURSEMENTS)



TOTAL SOURCES
(INCLUDING REIMBURSEMENTS)



ANALYSIS OF 2016-17 RECOMMENDED BUDGET

GROUP: Administration
DEPARTMENT: Risk Management
FUND: Insurance Programs

BUDGET UNIT: Various
FUNCTION: General
ACTIVITY: Other General

	2012-13 Actual	2013-14 Actual	2014-15 Actual	(A) 2015-16 Modified Budget	2015-16 Estimate	(B) 2016-17 Recommended Budget	(B-A) Change From Prior Year Modified Budget
Requirements							
Staffing Expenses	0	0	0	0	0	0	**0**
Operating Expenses	62,512,745	68,403,173	63,043,339	94,365,754	63,445,736	106,171,377	**11,805,623**
Capital Expenditures	7,457	0	0	65,796	0	0	**(65,796)**
Total Exp Authority	62,520,202	68,403,173	63,043,339	94,431,550	63,445,736	106,171,377	**11,739,827**
Reimbursements	0	0	0	0	0	0	**0**
Total Appropriation	62,520,202	68,403,173	63,043,339	94,431,550	63,445,736	106,171,377	**11,739,827**
Operating Transfers Out	7,059,078	6,262,212	5,844,503	6,065,418	5,819,975	0	**(6,065,418)**
Total Requirements	69,579,280	74,665,385	68,887,842	100,496,968	69,265,711	106,171,377	**5,674,409**
Sources							
Taxes	0	0	0	0	0	0	**0**
Realignment	0	0	0	0	0	0	**0**
State/Fed/Other Government	0	0	78,441	0	0	20,000	**20,000**
Fee/Rate	68,078,017	84,186,876	92,984,414	101,728,000	98,766,095	99,039,400	**(2,688,600)**
Other Revenue	3,075,228	3,786,298	562,131	1,377,819	4,223,152	4,223,300	**2,845,481**
Total Revenue	71,153,245	87,973,174	93,624,986	103,105,819	102,989,247	103,282,700	**176,881**
Operating Transfers In	(60,720,621)	0	428	0	37,558	40,000	**40,000**
Total Financing Sources	10,432,624	87,973,174	93,625,414	103,105,819	103,026,805	103,322,700	**216,881**
Net Position							
Use of/ (Contribution to) Net Position	59,146,656	(13,307,789)	(24,737,572)	(2,608,851)	(33,761,094)	2,848,677	**5,457,528**
Est. Net Position Available						55,110,003	
Total Est. Unrestricted Net Position						57,958,680	
Budgeted Staffing*	0	0	0	0	0	0	**0**

*Data represents modified budgeted staffing

Note: Unlike governmental funds, the 2015-16 Modified Budget and Estimate columns do not include information on Estimated Net Position Available or Total Estimated Unrestricted Net Position because GAAP requires that internal service and enterprise funds include line items such as depreciation, which are not budgeted, in the Net Position calculation.

MAJOR REQUIREMENTS AND SOURCES IN 2016-17 RECOMMENDED BUDGET

Requirements of $106.2 million include judgement and settlement costs, medical treatment and expenses, temporary disability and loss earnings, property insurance, and legal defense services.

Sources of $103.3 million primarily include Board of Supervisors' approved premiums paid by departments, Board-Governed Special Districts, and County Service Areas.

BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are increasing by $5.7 million due to an increase in settlements and increased liability claim experience. Additionally, there are increased medical claims costs in workers' compensation.

Sources are increasing by $216,881 primarily due to lower premiums charged to departments for General Liability, Auto Liability, and Medical Malpractice Programs to achieve the 80% confidence level of funding offset by an increase in insurance recoveries and interest revenue.

ANALYSIS OF NET POSITION

Net Position supports insurance programs in maintaining and reaching an 80% confidence level of funding as recommended by annual actuarial studies. The department is budgeting a Use of Net Position of $2.8 million for one-time claims costs of unexpected judgments and settlements.

STAFFING CHANGES AND OPERATIONAL IMPACT

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