

RISK MANAGEMENT – 8925

FUNCTION

The Risk Management Internal Service Fund (ISF) finances the County's Risk Management and Employee Benefits programs. Administratively, these programs are managed through the Personnel Services Department. The ISF is the financial mechanism through which the County's self-insurance programs are funded, and commercial insurance and employee benefits are purchased. The ISF is financed by charges assessed to County departments for insurance coverage, contributions made by employees and retirees for their health coverage, and interest earned on self-insurance reserve funds. The Risk Management Division administers the insurance programs (Workers' Compensation, General Liability, Medical Malpractice, Unemployment, and Property/Vehicle Damage/Vehicle Replacement), directs the County's safety program, recovers damages due the County from third parties, provides risk management advice to County departments, provides loss prevention management and training, and controls mandated programs affecting employee safety. The Employee Benefits Division provides and administers comprehensive benefits for eligible employees and their dependents including, group life insurance, disability insurance, flex spending accounts, deferred compensation, other ancillary/voluntary benefit programs, as well as group health insurance for eligible employees, their dependents, and retirees. Employee Benefits also coordinates the management of personnel records, and the approval and processing of all personnel, compensation, and benefit eligibility functions in the Peoplesoft Human Resource Management System (HRMS).

OVERVIEW

The FY 2013-14 Recommended Budget of \$97,855,567 reflects less than a 1% (\$560,613) increase in appropriations from the FY 2012-13 Adopted Budget due primarily to a minor increase in projected payments to health plans for active employees and their dependents (pass-through expenses). Revenues are recommended at \$97,713,839, less than a 1% change (\$27,571) from the FY 2012-13 Adopted Budget. In addition, the FY 2013-14 Recommended Budget includes use of retained earnings in the amount of \$631,103. This budget also includes projected revenue from the second annual repayment of a three-year loan made to Public Works & Planning (Resources) that will restore cash reserves in the Risk Fund in the amount of \$489,375. Staffing is recommended at 28 positions, which is an increase of 1 position over the FY 2012-13 Adopted Budget. No salary savings was budgeted based on a history of low turnover.

SUMMARY OF CAO RECOMMENDATIONS

Significant Program Changes

The recommended budget includes the addition of one Personnel Analyst position. This position will be responsible for coordinating and expanding the training program to other County departments with the goal of reducing the County's exposure to claims in the areas of workers' compensation, general liability, and employee grievances, thereby reducing costs of these programs. The Personnel Analyst will also be tasked with researching the feasibility of an aggressive workers' compensation "Return to Work Program," and creating an implementation plan. Implementation of this program could result in material cost savings in the workers' compensation program.

Salaries and Benefits

- Salaries and Benefits, recommended at \$2,497,258 reflect a 1% (\$29,474) decrease from the FY 2012-13 Adopted Budget including the recommended addition of one position, the decrease to Salaries and Benefits is based on several factors, which include filling positions at lower levels, and reductions in the workers' compensation and benefit administration rates.

Recommended funding includes:

- Staffing at 28 positions, which includes the addition of one Personnel Analyst I position, as explained in the Significant Program Changes section.
- A 0.1% decrease to Regular Salaries (\$2,022), including the addition of one new position. The cost of the recommended position will be offset with savings in Regular Salaries, which were a result of filling vacant positions at lower levels and/or steps during FY 2012-13.
- A 3% (\$25,193) increase to Account 6400, Retirement Contribution due to increased retirement rates and additional position.
- A 67% (\$20,813) decrease to Account 6550, Workers' Compensation Contribution resulting from a reduced claim history over the last seven years.
- A 6% (\$9,846) decrease to Account 6600, Health insurance Contribution driven by an increase in the number of employees that have opted out of County health coverage.
- A 100% (\$12,000) decrease to Account 6200, Extra-Help, as no salaries for extra-help staff are being recommended due to the addition of the Personnel Analyst position.

Services and Supplies

- Services and Supplies, recommended at \$95,358,309 represent less than a 1% (\$590,087) increase over the FY 2012-13 Adopted Budget, primarily due to an increase in projected payments to health plans for active employees and their dependents (pass-through expense).

Recommended funding includes:

- Appropriations of \$71,648,819, which reflect a 2% (\$1,596,931) increase over current year, for Countywide health premium payments for active and retired employees. This estimate is based on current year enrollment at 2013 health plan premium rates provided by the San Joaquin Valley Insurance Authority (SJVIA), plus a conservative contingency for enrollment growth. The total appropriations include both the employer and employee portion of health premiums, as the full premium amount must be accounted for within the Risk Management fund.
- Projected Unemployment Insurance program costs of \$1,557,518 a decrease of 31% (\$713,795) from current year adopted budget. This projected decrease in costs is based on recent trends of reduced Unemployment Insurance claims filed by former County employees.
- A decrease of 100% (\$8,643,566) to Account 7138, Prescription Medical. The Prescription Medical Self-Insurance program that was previously funded by the County was closed at the end of the 2012 plan year. Prescription coverage is now part of appropriations in Account 7170 Active Employees Health Premiums, as coverage is provided by the SJVIA.
- Projected Professional & Specialized Services costs of \$2,214,580, a decrease of 5% (\$103,429) from the current year adopted budget. This decrease is primarily associated

with reductions in contract amounts with third-party administrators for workers' compensation and health administration.

- Projected Property Insurance program costs of \$242,326, an increase of 142% (\$142,326) from the current year adopted budget. The increase to estimated costs is based on current year trends of increased claims and claim amounts filed by County departments for property damage.

SUMMARY OF REVENUES

- Total revenues are recommended at \$97,713,839, a slight (\$27,571) decrease from the FY 2012-13 Adopted Budget.
- Interest Revenue is projected at \$851,444, a 21% (\$232,948) decrease from the FY 2012-13 Adopted Budget, based on actual trends of declining interest rates and includes interest from the loan made to Public Works & Planning (Resources) in April 2012.
- Unemployment Insurance Premium revenue is projected at \$938,976, a 58% (\$1,311,031) decrease from FY 2012-13. Due to a recent reduction in the number of claims filed and related claim costs, the required aggregate rate (premium) to fund the program has decreased substantially from current year.
- Workers' Compensation Premium revenue is recommended at \$16,800,000, a 6% (\$938,000) increase over FY 2012-13. This is the amount recommended by the actuary to fund the program at a 70% confidence level, and includes a factor for recovery of the program deficit over a ten year period.
- General Liability Premium revenue is recommended at \$4,039,000, a 13% (\$582,000) decrease from the FY 2012-13 Adopted Budget. This represents the funding level required to fund the program at a 70% confidence level as recommended by the program's actuary.
- Revenue from an operating transfer in from the general fund in the amount of \$489,375 is also recommended. This is the second (of three) annual repayment installments on a loan made to Public Works & Planning (Resources) for the Blue Hills Disposal Facility post-closure financial assurance instrument required by the State of California. These proceeds will partially restore cash reserves (in the amount of \$489,375) that were reduced in the Risk fund when the loan for \$1,468,124 was issued to Public Works and Planning in April 2012. Interest paid on the loan is budgeted in the Interest Revenue Account 3380.

Revenues	FY 2012-13 Adopted	FY 2012-13 Estimated Actual	FY 2013-14 Recommended
Acct # - Revenue from the Use of Money			
3380 - Interest	1,084,392	924,822	851,444
Total	\$ 1,084,392	\$ 924,822	\$ 851,444
Acct # - Charges for Services			
Mult - Premiums-Risk Programs	23,532,860	23,532,860	22,746,104
Mult - Active Employees Health Premiums	60,805,310	60,829,992	62,015,910
Mult - Retiree Health Premiums	9,867,432	8,983,016	9,632,909
Mult - Health Admin	942,326	973,628	1,034,259
5128 - Admin Fees - Other Benefits	931,206	931,206	866,838
Total	\$ 96,079,134	\$ 95,250,702	\$ 96,296,020
Acct # - Miscellaneous Revenues			
5800 - Other Miscellaneous	20,000	10,000	27,000
5889 - ADRP Reimbursement	68,509	12,000	50,000
Total	\$ 88,509	\$ 22,000	\$ 77,000
Acct # - Other Financing Sources			
5950 - Operating Transfer In From General Fund	489,375	489,375	489,375
Total	\$ 489,375	\$ 489,375	\$ 489,375
Total Revenues	\$ 97,741,410	\$ 96,686,899	\$ 97,713,839