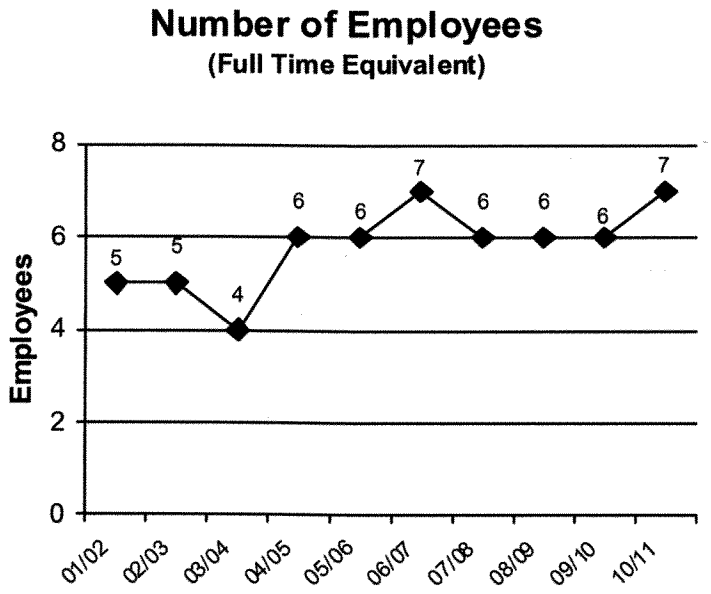
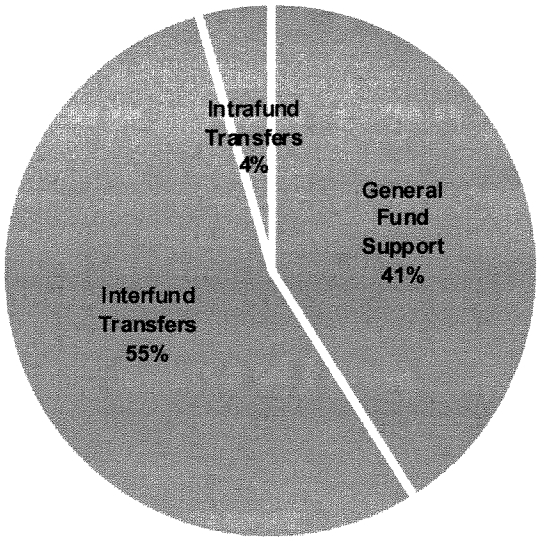
## MISSION STATEMENT

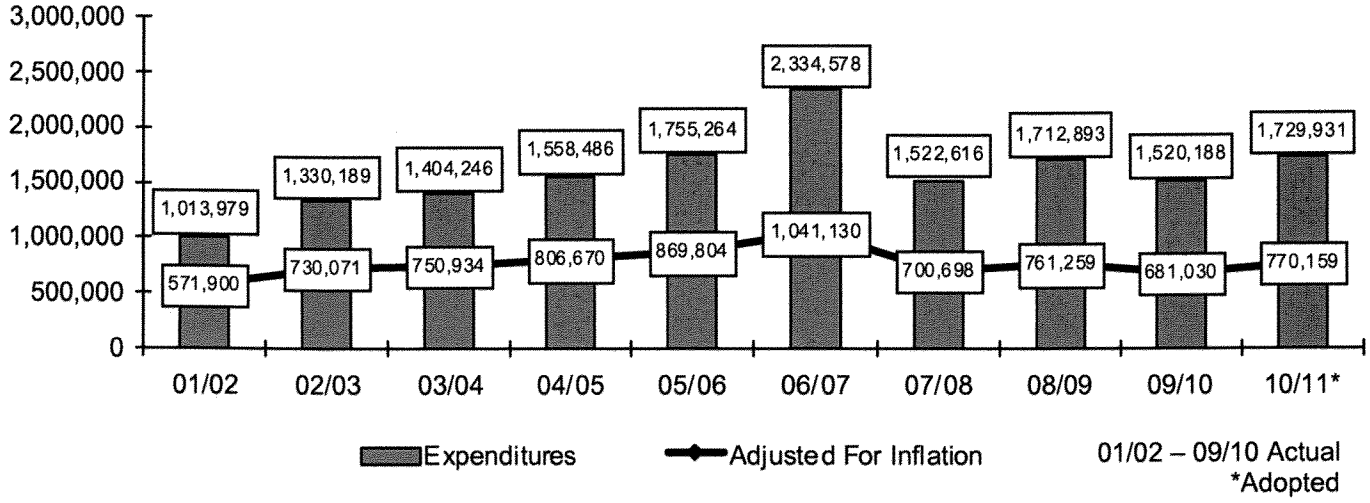
The Risk Management division collaborates with County Departments to protect financial stability and promote safe practices by managing and administering the Safety, Benefits, Workers Compensation, and Liability programs and providing education and training to ensure the health and welfare of all employees and the public we serve.

| Financial Summary | 2008-09 Actual | 2009-10 Actual | 2010-11 Requested | 2010-11 Recommended | 2010-11 Adopted |
|---|---|---|---|---|---|
| Other Financing Sources | $ 10,504 | $ 0 | $ 0 | $ 0 | $ 0 |
| Interfund | 801,191 | 826,308 | 840,596 | 946,304 | 946,304 |
| **Total Revenue | $ 811,695 | $ 826,308 | $ 840,596 | $ 946,304 | $ 946,304 |
| Salary and Benefits | 624,231 | 652,435 | 672,762 | 778,470 | 778,470 |
| Services and Supplies | 1,088,662 | 867,753 | 947,461 | 951,461 | 951,461 |
| **Gross Expenditures | $ 1,712,893 | $ 1,520,188 | $ 1,620,223 | $ 1,729,931 | $ 1,729,931 |
| Less Intrafund Transfers | 104,785 | 94,979 | 74,751 | 74,751 | 74,751 |
| **Net Expenditures | $ 1,608,108 | $ 1,425,209 | $ 1,545,472 | $ 1,655,180 | $ 1,655,180 |
| General Fund Support (G.F.S.) | $ 796,413 | $ 598,901 | $ 704,876 | $ 708,876 | $ 708,876 |



## 10 Year Expenditures Adjusted For Inflation




**SERVICE PROGRAMS**

**Employee Benefits**

Provide high quality employee benefit administration services (e.g., health, life, ITS, wellness, etc.) to active employees and retirees.

Total Expenditures: $352,206 Total Staffing (FTE): 1.45

**Safety**

Implement cost-effective safety programs that ensure a safe work environment, reduce work-related employee injuries, and minimize the costs associated with Workers' Compensation.

Total Expenditures: $149,984 Total Staffing (FTE): 1.50

**Liability and Insurance**

Effectively manage the Liability Program by resolving all tort claims efficiently and fairly while minimizing costs to the taxpayer. Secure cost effective insurance coverage levels for the County, implement industry standard transfer of risk strategies to protect the County from unnecessary risk, provide advice to departments on insurance matters, issue insurance certificates, process all County–initiated insurance claims, and perform risk analyses.

Total Expenditures: $954,907 Total Staffing (FTE): 1.45

**Workers' Compensation**

Effectively manage the Workers' Compensation Program by processing all claims efficiently, fairly and in accordance with the law. Administer the Return to Work program.

Total Expenditures: $272,834 Total Staffing (FTE): 2.60

**COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS**

The level of General Fund support for Risk Management is recommended to decrease $106,481 or 13% compared to the FY 2009-10 adopted level. Revenues are budgeted to increase $109,114 or 13% compared to the FY 2009-10 adopted budget due to the recommended addition of a 1.00 FTE Principal Human Resources Analyst (see Budget Augmentation Request, below). Total expenditures for this fund center are budgeted to

increase marginally, at $2,633 or less than 1%. Salary and benefits expenditures increase $123,658 or 18% primarily due to the addition of the Principal Human Resources Analyst, while services and supplies accounts decrease $141,253 or 12% due to declining insurance costs.

## BUDGET AUGMENTATION REQUESTS ADOPTED

| Unit Amount | Description | Intended Results |
|---|---|---|
| Gross: $360,108<br><br>General Fund Support: $0<br><br>Funding for this initiative is provided from FC 408 – Workers Compensation and FC 409 – Liability. | Add a 1.00 FTE Principal Human Resources Analyst and create a Loss Prevention program to avoid employee injuries and reduce Workers' Compensation costs.<br><br>To date, the County has placed the majority of its loss control emphasis on reacting to incurred losses, and a lesser amount of staffing and time has been applied to loss prevention. While significant gains have been made in reducing the County's losses through a vigorous focus on safety awareness and the Return to Work Program, the rate of those gains appears to be leveling off. The purpose of this program will be to increase preventative evaluations (e.g., ergonomic and other assessments) and provide funding for improvements and interventions that County departments would otherwise have been required to fund out of their own budgets. | 1. Reduce Workers' Compensation claims by 20 (approximately 10%) in the first year of program operations.<br>2. Reduce cost of claims in the first year of program operations, as measured by (a) cost per claim, and (b) total Workers' Compensation liability.<br>3. Perform 300 ergonomic evaluations per year.<br>4. Improve workstations for 225 County employees per year.<br>5. Complete three special projects in the first year of program operations.<br>6. Provide one wellness health screening event per month.<br>7. Increase the number of Automated External Defibrillators (AED's) purchased from 2 to 3 per year, and train an additional 55 County employees (a 50% increase) in First Aid/CPR/AED use each year. |

## BOARD ADOPTED CHANGES

None

## GOALS AND PERFORMANCE MEASURES

**Department Goal:** To effectively manage the employee benefit programs (health, life, tax savings, etc.) for County employees and retirees.

**Communitywide Result Link:** A well-governed community.

**1. Performance Measure: Percentage of payroll coordinators that rate the services provided by the Benefits Coordinator as above satisfactory or better.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| 100% | 100% | 91% | 100% | 100% | 100% | 100% |

**What**: In the spring of each year, Risk Management conducts a survey of all payroll coordinators to determine their level of satisfaction with the quality of service provided by the Benefits Coordinator. The survey addresses the following critical service areas: timeliness, accuracy, responsiveness, and trustworthiness of information.

**Why:** The Benefits Coordinator is responsible for educating County payroll coordinators on all aspects of employee benefits. The payroll

coordinators, in turn, are responsible for disseminating this information to County employees so they can make informed benefit decisions. Regularly surveying our key customers allows us to gauge the quality of our services and make program improvements as needed.

**How are we doing?** The last survey results rated the Benefits Coordinator above satisfactory. In an effort to help educate employees, the department has started a monthly newsletter which focuses on benefits available to employees. The first issue was distributed in February 2010. Client response to the newsletter has been favorable, and is likely to contribute to continued high satisfaction ratings for this program.

**Department Goal:** To promote a safe work environment for County employees.

**Communitywide Result Link:** A safe community and a well-governed community.

**2. Performance Measure: Rate of work-related illnesses/injuries per 100 employees as compared to other local government agencies in California.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| 5.33 | 4.65 | 4.15 | 4.06 | 4.05 | 3.8 | 3.8 |

**What:** This tracks the number of employee illnesses/injuries per 100 employees in comparison to other local government agencies in California. By collecting injury and illness data, we can compare ourselves to statewide average data prepared by the Department of Industrial Relations.

**Why:** This measure helps to track the effectiveness of our Safety Program.

**How are we doing?** The County's illness/injury rate is comparable to the private sector and well below the average for local government agencies of 7.6 per 100 employees. Top management support for the County's Safety Program has resulted in the County reducing its injury rate from a high of 10.3 in FY 2001-02 and FY 2002-03 to the current rate. The rate of improvement is leveling off as expected.

**3. Performance Measure: Annual number of serious employee work-related injuries (i.e., death, loss of limb, overnight hospitalization, etc.) as defined by CAL/OSHA.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 2 | 0 | 1 | 0 |

**What:** The number of employees who experience a serious work-related injury.

**Why:** The Federal and State Occupational Safety and Health Act (OSHA) requires reporting of all serious work-related injuries which it defines as death, loss of limb, 24 hour hospitalization for other than observation, etc. This measure helps track the effectiveness of our Safety Program.

**How are we doing?** In FY 2009-10, there were no fatalities but one employee was seriously injured requiring more than 24 hours hospitalization.

**4. Performance Measure: Number of days away from work due to workplace injury.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| 1,110 | 1,028 | 795 | 942 | 857 | 419 | 800 |

**What:** This represents the total number of days that employees are absent during the year due to work-related injury.

**Why:** This measure helps to track the effectiveness of our Safety and Workers' Comp Programs.

**How are we doing?** The County has realized a reduction in the number of days employees are away from work due to workplace injury or illness in FY 2009-10. Top management support for the County's Safety and Return to Work programs has reduced the severity of injuries, and permitted workers to avoid lost work days through use of alternative work offerings.

**Department Goal:** To effectively administer the County's Liability Insurance Program.

**Communitywide Result Link:** A well-governed community.

**5. Performance Measure: Number of liability claims filed, per $1 million of payroll.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| .83<br>CSAC average 1.18 | .79<br>CSAC average .96 | .95<br>CSAC average 1.03 | .60<br>CSAC average .98 | Better than the CSAC average | .65<br>CSAC average .93 | Better than the CSAC average |

**What:** This represents a comparison of the number of liability claims filed against local California governments. The California State Association of Counties (CSAC) Excess Insurance Authority (EIA) insures the majority of California public agencies and is the second largest

public entity property and casualty pool in the nation.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary conducted by Bickmore Risk Services. The actuarial study is conducted annually.

**How are we doing?** Based on our 2009 actuarial, claim frequency increased slightly (8%) over the FY 2008-09 levels. The County's liability program is performing well and we remain well below the CSAC-EIA average.

**6. Performance Measure: Average dollar loss/liability claim.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| $8,740<br>CSAC average $6,710 | $8,700<br>CSAC average $6,583 | $7,370<br>CSAC average $6,520 | $9,290<br>CSAC average $7,280 | Better than the CSAC average | $9,460<br>CSAC average $7,700 | Better than the CSAC average |

**What:** This provides an indication of how much money is being spent on average for liability claims. CSAC Excess Insurance Authority (EIA) insures the majority of California public agencies and is the second largest public entity property and casualty pool in the nation.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary conducted by Bickmore Risk Services. The actuarial is conducted annually.

**How are we doing?** Based on the November 2009 actuarial study, average loss per claim increased by $170. This is largely attributed to the maturation/settlement of several serious litigations. While the per claim average costs have increased, the program remains stable due to sufficient reserves and fund balance available.

**7. Performance Measure: Dollars of loss per $100 of payroll for liability claims.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| .72<br>CSAC average .76 | .69<br>CSAC average .60 | .70<br>CSAC average .68 | .56<br>CSAC average .69 | Better than the CSAC average | .62<br>CSAC average .67 | Better than the CSAC average |

**What:** Provides an indication of the total liability dollars spent as a percentage of the County's payroll. CSAC Excess Insurance Authority (EIA) insures the majority of California public agencies and is the second largest public entity property and casualty pool in the nation.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary conducted by Bickmore Risk Services. The actuarial is conducted annually.

**How are we doing?** Based on the November 2009 actuarial, the County's loss rate per $100 of payroll increased slightly from the November 2008 levels. We remain below the CSAC-EIA average.

**Department Goal:** Administer cost-effective Workers' Compensation program for County employees.

**Communitywide Result Link:** A well-governed community.

**8. Performance Measure: Dollars of loss per $100 of payroll for Workers' Compensation claims.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| $2.65<br>CSAC average $3.09 | $2.00<br>CSAC average $2.72 | $1.55<br>CSAC average $2.52 | $1.43<br>CSAC average $2.25 | Better than the CSAC average | $1.38<br>CSAC average $2.10 | Better than the CSAC average |

**What:** Provides a comparison of Workers' Compensation claims costs relative to annual payroll costs against other Counties statewide. CSAC Excess Insurance Authority (EIA) insures the majority of California public agencies and is the second largest public entity property and casualty pool in the nation.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary conducted by Bickmore Risk Services. The actuarial is conducted annually.

**How are we doing?** The County continued to see a decline in FY 2009-10 in its loss rate per $100 of payroll. We continue to remain below the CSAC-EIA average.

**9. Performance Measure: Number of Workers' Compensation claims per $1 million of payroll.** ***This measure is being deleted and replaced by the new measure below.***

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| $1.90<br>CSAC average $2.89 | $2.00<br>CSAC average $2.71 | $2.10<br>CSAC average $2.24 | $2.62<br>CSAC average $2.24 | Better than the CSAC average | $2.40<br>CSAC average $2.08 | Deleted |

**What:** Provides a comparison to other counties statewide of the number of Workers' Compensation claims filed as a function of payroll. The projected value is based on data valued as of June 30, 2009. Historically our actual results have been lower than projections. CSAC Excess Insurance Authority (EIA) insures the majority of California public agencies and is the second largest public entity property and casualty pool in the nation.

**Why:** This measure enables us to compare Workers' Compensation claims frequency against a benchmark comprised of other counties developed by our actuary, Bickmore Risk Services. The actuarial projections are done annually and are based on historical data trends.

**How are we doing?** The November 2009 actuarial report shows a projected increase in claim frequency per $1 million in payroll. However, our total claim frequency is going down. Tying claim frequency to payroll dollars skews the results due to demographics, thus the recommendation to delete this measure in favor of more accurate data, as derived by the following proposed measure.

**9. Performance Measure: Number of Workers' Compensation claims per 100 employees.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| N/A | 7.5<br>Comp Co average 8.45 | 6.6<br>Comp Co. average 9.6 | 6.6<br>Comp Co. average 9.6 | New | 6.7 | Better than the Comp Co. average |

**What:** A comparison to other California counties of the number of Workers' Compensation claims as a function of the number of employees. San Luis Obispo County is compared to 20 other counties in the annual Self Insurance Plan Benchmark report produced by TCS Risk Management Services, and more specifically to four counties considered comparable to San Luis Obispo County.

**Why:** This measure enables us to compare Workers' Compensation claims frequency to that of comparably sized and organized California counties. Claim frequency is an indication of the effectiveness of both our Workers' Compensation and Safety programs.

**How are we doing?** The November 2009 TCS reports show the claim frequency for the County has been trending downward for several years. Additionally, the report shows that the County has the 3rd lowest claim frequency of the 20 counties in the survey, and the lowest frequency of the 5 comparable counties. Although the number of claims decreased during FY 2009-10, the number of employees also decreased, resulting in a slightly higher number of claims per 100 employees. This measure will replace the measure that tracked the number of claims per million dollars of payroll. Tracking injuries against payroll skews the results for entities with relatively high or low average, demographically-defined, compensation rates. This measure avoids valuing injured workers by compensation rate.

**10. Performance Measure: Average dollars loss per Workers' Compensation claim.**

| 05-06 Actual Results | 06-07 Actual Results | 07-08 Actual Results | 08-09 Actual Results | 09-10 Adopted | 09-10 Actual Results | 10-11 Target |
|---|---|---|---|---|---|---|
| $13,900<br>CSAC average $10,107 | $10,000<br>CSAC average $10,216 | $7,380<br>CSAC average $11,540 | $5,440<br>CSAC average $10,290 | Better than the CSAC average | $5,730<br>CSAC average $10,790 | Better than the CSAC average |

**What:** This comparison shows the expected average cost per Workers' Compensation claim for the County since FY 2005-06 and compares them to the CSAC average for those same years. The average cost is projected by the CSAC actuary based on historical loss data and represents ultimate final loss costs for claims from each fiscal year. CSAC Excess Insurance Authority (EIA) insures the majority of California public agencies and is the second largest public entity property and casualty pool in the nation.

**Why:** Provides a measurement of the County's Workers' Compensation program performance as compared with the other counties.

**How are we doing?** The County continues to see year after year reductions in ultimate claim costs. Our continued efforts to keep new claims contained and older claims resolved has helped the program see the decline in average dollar loss per Workers' Compensation claims. County claim costs are falling at a faster pace than those in other statewide organizations putting San Luis Obispo County's claim costs at approximately half of the CSAC average.