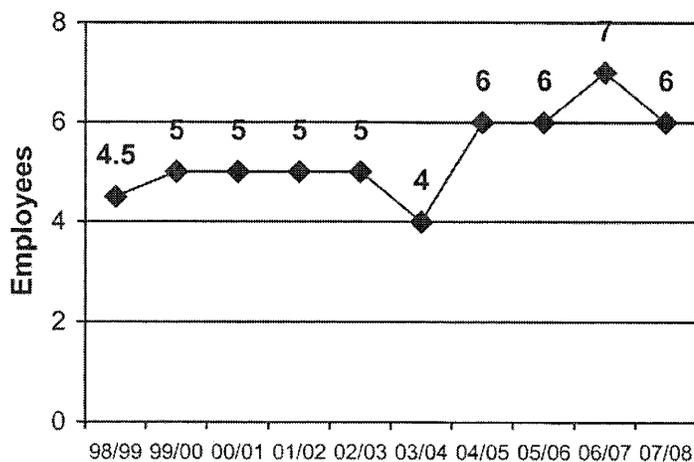


MISSION STATEMENT

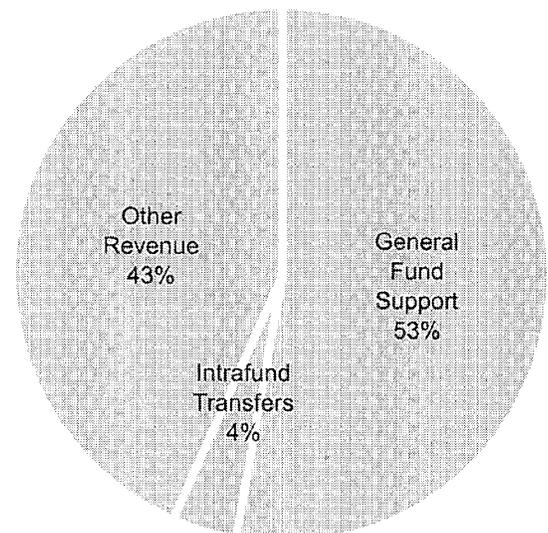
To provide high quality insurance, safety and employee benefit services at the lowest possible cost to the taxpayer.

Financial Summary	2005-06	2006-07	2007-08	2007-08	2007-08
	Actual	Actual	Requested	Recommended	Adopted
Revenues	\$ 806,014	\$ 765,839	\$ 784,221	\$ 784,221	\$ 784,221
Salary and Benefits	636,143	624,151	596,706	579,641	579,641
Services and Supplies	1,119,121	1,515,649	1,064,024	1,233,524	1,233,524
Fixed Assets	0	50,737	0	0	0
**Gross Expenditures	\$ 1,755,264	\$ 2,190,537	\$ 1,660,730	\$ 1,813,165	\$ 1,813,165
Less Intrafund Transfers	48,273	49,920	72,343	72,343	72,343
**Net Expenditures	\$ 1,706,991	\$ 2,140,617	\$ 1,588,387	\$ 1,740,822	\$ 1,740,822
General Fund Support (G.F.S.)	\$ 900,977	\$ 1,374,778	\$ 804,166	\$ 956,601	\$ 956,601

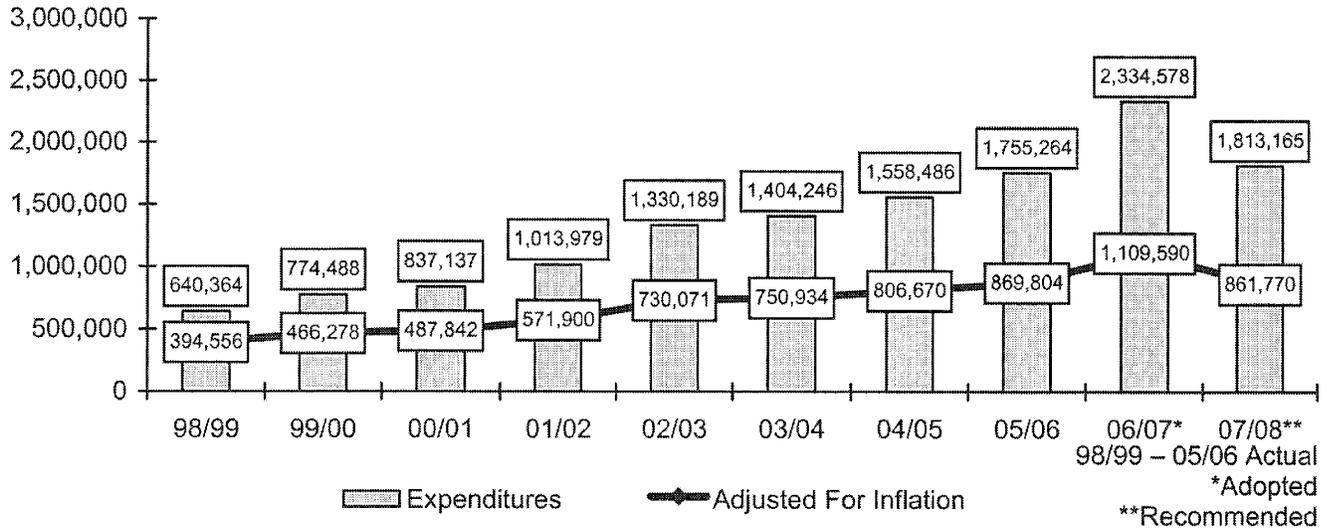
Number of Employees
(Full Time Equivalent)



Source of Funds



10 Year Expenditures Adjusted For Inflation



SERVICE PROGRAMS

Employee Benefits

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

Total Expenditures: \$283,128 Total Staffing (FTE): 1.20

Risk Management

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: \$989,342 Total Staffing (FTE): .40

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: \$200,017 Total Staffing (FTE): 1.25

Liability

Effectively manage the Liability Program by resolving all tort claims efficiently and fairly while minimizing costs to the taxpayer.

Total Expenditures: \$98,680 Total Staffing (FTE): .80

Workers' Compensation

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

Total Expenditures: \$241,998 Total Staffing (FTE): 2.35

DEPARTMENT COMMENTS

Please see Fund Center 104 - County Administration for information on Risk Management's accomplishments.

COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

Recommended funding for Risk Management will decline by 19% or \$425,000 during 2007/08. This significant drop in funding is due to the decision: 1) to move retiree health insurance contribution expenses of roughly \$630,000 from Risk Management to each department's salary accounts, and 2) to change the approach for funding the Human Resources (HR)/Risk Management reorganization which transferred approximately \$150,000

of salary expenses from Risk Management to HR. These issues aside, the recommended funding for Risk Management is very similar to the current year with the following two exceptions:

- \$150,000 has been included to fund a Wellness Pilot Program for County employees. Employee wellness programs have become very common in both the private and public sector as a way to prevent costly health conditions that affect both employees and their employers. Employees benefit from activities and educational programs that promote healthy lifestyles. Employers, in turn, benefit by increasing employee productivity, recruiting and retaining qualified employees, improving employee morale, reducing absenteeism due to illness, and reducing health care and Workers' Compensation costs.

As proposed, up to 750 employees (roughly 30% of the County's workforce) could participate in a year long pilot program of health and wellness education, awareness, and activities. Participation would be voluntary and on a first come, first serve basis. Participants would be required to complete a health risk assessment and participate in a health screening. This information would be used to craft wellness programs based on individual employee's needs and track program performance. Participants would be able to choose from a variety of educational seminars that mesh with their wellness plans (e.g. smoking cessation, nutrition/weight loss, stress management, exercise, managing chronic illnesses, etc.). More intensive, one-on-one counseling for smoking cessation and weight loss would be provided to a smaller number of high-risk employees based on interest and degree of personal barriers

At the conclusion of the pilot program, Risk Management staff would compile data on the pilot's performance (e.g., follow through rate, popularity of programs, wellness plan success rates, improvements in health screening test results, etc.) and convene a committee comprised of a cross section of county employees to review the data and craft an ongoing program for the Board's consideration.

- The property insurance premium will increase by 20% or \$137,000 in the coming year. Property insurance continues to be costly due to a hard property insurance market (i.e., meaning that rates are still increasing due to events like Katrina and the state of the economy) and the addition of high value facilities to the schedule over the last couple of years (e.g., the new Government Center, North Co. Regional Center, etc.).

The intra-fund transfer accounts are lower due to the change in plans for funding the costs of the HR/Risk Management reorganization. The 2006/07 budget included funding for a Deputy HR Director position in the Risk Management budget. The funding for this position has been placed in the HR budget for 2007/08 eliminating the need to charge HR for its share of the Deputy Director.

The 2006/07 estimated column on Form A shows that Risk Management will exceed its 2006/07 GFS by approximately \$80,000. This is due to a technical issue involving an encumbrance for the Government Center Art Project. Funding for this project was encumbered from the 2005/06 budget into the 2006/07 budget as the project was still underway at year end. The encumbrance, however, was not reflected in the 2006/07 adopted budget column of the Form A. This funding is available, will be spent by year's end and will not actually impact GFS to Risk Management after adjusting for the encumbrance anomaly.

BUDGET AUGMENTATION REQUESTS RECOMMENDED

Unit Amount	Description	Results
Gross Cost: \$150,000 GFS: \$150,000	Implement Wellness Pilot Program for County employees to improve health and reduce costs related to preventable injuries and illnesses. The program would offer a variety of educational seminars (e.g. smoking cessation, nutrition/weight loss, stress management, exercise, managing chronic illnesses, etc.), as well as one-on-one counseling. The pilot would serve up to 750 employees, be voluntary, and last one year. Program results would be tracked and, if successful, an ongoing program would be proposed to the Board.	<p><u>Pilot Program:</u> At the conclusion of the pilot program:</p> <ul style="list-style-type: none"> ▪ 80% of participants will see the pilot program through to the end. ▪ Of the 80% that complete the program, a percentage to be determined in concert with industry experts, will bring their health screening readings to healthy levels (e.g. weight, blood pressure, cholesterol, etc.). <p><u>Ongoing Program (assuming pilot is successful):</u> After the ongoing program has been in place for one year:</p> <ul style="list-style-type: none"> ▪ The County will see a reduction in the injury/illness rate (% to be determined after pilot program) ▪ The County will see a reduction in the sick leave usage rate (% to be determined after pilot program) ▪ The program will pay itself through lower Workers' Comp costs and reduced sick leave usage.

BOARD ADOPTED CHANGES

None.

GOALS AND PERFORMANCE MEASURES

Department Goal: To cost-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.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
New Measure	100%	95%	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? We received 18 responses to this year's survey and almost all rated Glenn Estrada's work as exceptional. Additionally, almost all respondents provided written comments praising Glenn for his outstanding service and great sense of humor.

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 state and local government agencies in California.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
10.3	9.5	7.1	5.33	5.3	4.65	5.05

What: This tracks the number of employee illnesses/injuries per 100 employees in comparison to other state and local government agencies in California. By collecting both 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 state and local government agencies (8.9 per 100 employees).

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
0	1	0	0	0	0	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 consciousness/limb, overnight hospitalization, etc. This measure helps track the effectiveness of our Safety Program.

How are we doing? Very well; the County has not had a serious work injury (as defined by OSHA) since 2003-04.

4. Performance Measure: Number of "lost days" due to workplace injury.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
Data not available	2,777	814	1,110	686	1,028	632

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

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

How are we doing? Lost days declined again in 2006-07, however, not at the rate projected when this budget was prepared. When this measure is compared to the "illness/injury rate" measure, it tells us that while we continue to reduce the number of illnesses/injuries, employees are staying off work for slightly longer periods to recuperate from them. Safety and Workers' Compensation staff are monitoring this situation closely and will continue to develop and refine programs aimed at reducing employee illness/injuries.

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 million dollars of payroll.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
1.20/CSAC Excess Insurance Authority member counties' average was 1.20	.88/CSAC Excess Insurance Authority member counties' average was 1.18	.75/CSAC Excess Insurance Authority member counties' average was 1.04	.83 / CSAC Excess Insurance Authority member counties' average was 1.18	Better than the CSAC Excess Insurance Authority member counties' average	.79 / CSAC Excess Insurance Authority member counties' average is .96	Better than the CSAC Excess Insurance Authority member counties' average

What: This represents an "apples to apples" way of comparing the number of liability claims filed against local California governments.

Why: Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

How are we doing? Relative to claims frequency, the County's liability program is performing well. Based on our November 2006 actuarial, claim frequency is projected to decline for 2006-07, and remains well below the CSAC-EIA member counties' average.

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
\$7,900/CSAC Excess Insurance Authority member counties' average was \$6,890	\$9,100/CSAC Excess Insurance Authority member counties' average was \$6,710	\$9,352/CSAC Excess Insurance Authority member counties' average was \$5,900	\$8,740/CSAC Excess Insurance Authority member counties' average was \$6,710	Better than the CSAC Excess Insurance Authority member counties' average	\$8,700/CSAC Excess Insurance Authority member counties' average is \$6,583	Better than the CSAC Excess Insurance Authority member counties' average

What: This provides an indication of how much money is being spent on average for liability claims.

Why: Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

How are we doing? Based on the November 2006 actuarial, average loss per claim is projected to fall slightly from 2005-06 levels. However, we continue to exceed the CSAC-EIA member counties' average by over \$2,000. This is due to the maturation/settlement of several serious claims from prior years.

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
.80/CSAC Excess Insurance Authority member counties' average was .78	.78/CSAC Excess Insurance Authority member counties' average was .76	.70/CSAC Excess Insurance Authority member counties' average was .65	.72/CSAC Excess Insurance Authority member counties' average was .76	Better than the CSAC Excess Insurance Authority member counties' average	.69/CSAC Excess Insurance Authority member counties' average is .60	Better than the CSAC Excess Insurance Authority member counties' average

What: Provides an indication of the total liability dollars spent as a percentage of the County's payroll.

Why: Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

How are we doing? Based on the November 2006 actuarial, the County's loss rate per \$100 payroll is projected to decline slightly for 2006-07.

Department Goal: Provide Workers' Compensation benefits to County employees and administer the program to comply with mandated state regulations.

Communitywide Result Link: A well-governed community.

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
\$2.95/CSAC Excess Insurance Authority member counties' average was \$3.33	\$3.40/CSAC Excess Insurance Authority member counties' average was \$3.80	\$3.75/CSAC Excess Insurance Authority member counties' average was \$4.20	\$2.65/CSAC Excess Insurance Authority member counties' average was \$3.09	Better than the CSAC Excess Insurance Authority member counties' average	\$2.00/CSAC Excess Insurance Authority member counties' average is \$2.72	Better than the CSAC Excess Insurance Authority member counties' average

What: Provides an "apples to apples" comparison of Workers' Compensation claims volume to other counties statewide.

Why: Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

How are we doing? State reforms to Workers' Comp, coupled with local efforts to overhaul our program, are paying off. Based on our November 2006 actuarial, the County is projected to reduce its loss rate per \$100 of payroll by 65 cents from 2005-06 levels. We expect this figure to go even lower in 2007-08 as our safety and cost control efforts further mature.

9. Performance Measure: Number of Workers' Compensation claims per \$1 million of payroll.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
2.55/CSAC Excess Insurance Authority member counties' average was 3.4	2.30/CSAC Excess Insurance Authority member counties' average was 3.47	2.10/CSAC Excess Insurance Authority member counties' average was 3.20	1.90/CSAC Excess Insurance Authority member counties' average was 2.89	Better than the CSAC Excess Insurance Authority member counties' average	2.00/CSAC Excess Insurance Authority member counties' average is 2.71	Better than the CSAC Excess Insurance Authority member counties' average

What: An "apples to apples" comparison to other counties statewide of the number of Workers' Compensation claims filed.

Why: Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

How are we doing? The County is projected to see a modest increase in the number of claims per \$1 million of payroll, but we remain well below the CSAC-EIA member counties' average.

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Actual Results	07-08 Target
\$11,500/CSAC Excess Insurance Authority member counties' average was \$8,570	\$14,000/CSAC Excess Insurance Authority member counties' average was \$9,985	\$17,864/CSAC Excess Insurance Authority member counties' average was \$12,850	\$13,900/CSAC Excess Insurance Authority member counties' average was \$10,107	Better than the CSAC Excess Insurance Authority member counties' average	\$10,000/CSAC Excess Insurance Authority member counties' average is \$10,216	Better than the CSAC Excess Insurance Authority member counties' average

What: Comparing the average actual dollar amount of claims.

Why: Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

How are we doing? State reforms to Workers' Comp, coupled with local efforts to overhaul our program, are paying off. Based on our November 2006 actuarial, the County is projected to reduce its average loss per claim by almost \$4,000 from 2005-06 levels. We expect this figure to go even lower in 2007-08 as our safety and cost control efforts further mature.