

RISK MANAGEMENT

PROPOSED BUDGET

Budget Unit: 52

All Funds	Actual	Adopted	Recommended	Δ	Projected	Δ
	2017-18	2018-19	2019-20		2020-21	
Revenues	17,276,460	18,801,480	20,286,496	7.9%	21,236,496	4.7%
<i>General Fund</i>	1,667,325	1,709,149	1,895,263	10.9%	2,074,783	9.5%
<i>Other Funds</i>	(1,068,660)	27,451,903	24,562,493	-10.5%	3,135,570	-87.2%
Total Financing	17,875,125	47,962,532	46,744,252	-2.5%	26,446,849	-43.4%
Total Expenditures	17,875,125	47,962,532	46,744,252	-2.5%	26,446,849	-43.4%
Total Staffing		12.00	12.00	0.0%	12.00	0.0%

OVERVIEW

The Risk Management Division is divided into seven units: Liability and Property, Workers' Compensation, Unemployment, Administration, Dental Insurance, Employee Insurance Staffing, General Fund Liability and Property Insurance.

LIABILITY & PROPERTY FUND

This fund provides for operation of the County's Liability and Property Insurance programs. It is the County's policy to maintain sufficient actuarially recommended reserves to absorb potential losses. Expenditures in this fund may fluctuate significantly year to year due to variability in claims. The Liability Program protects the County from losses or damages to other parties. The County currently purchases excess liability insurance for an insured amount between \$1 million and \$35 million. The Property Program protects the County against losses from physical damage to County facilities, including equipment and documents, with special limited coverage for earthquake and flood. Most losses are subject to a deductible. The General Fund share of Liability and Property Insurance represents 35 percent of total costs.

WORKERS' COMPENSATION FUND

The Workers' Compensation fund includes costs

of medical treatment, disability compensation, and vocational rehabilitation for work-related injuries. The fund also covers costs for legal fees, claims administration, investigative services, State self-insurance fees, occupational health and safety program costs and excess insurance within the County's self-insured retention level.

UNEMPLOYMENT INSURANCE

The County of Santa Cruz provides Unemployment Insurance (UI) coverage for all County employees.

RISK MANAGEMENT ADMINISTRATION

This fund provides for appropriations for the Risk Management Administrative unit.

EMPLOYEE INSURANCE STAFFING

This unit provides benefit administrative services for the County and Board governed special districts insured health program, Budget Reconciliation Act of 1985 (COBRA), life, vision, long-term disability insurances, and the Employee Assistance Program

DENTAL INSURANCE FUND

The County of Santa Cruz provides a self-funded indemnity dental program for employees and their dependents.

YEAR 1 BUDGET OVERVIEW

2019-20 RECOMMENDED BUDGET

The 2019-20 recommended budget provides for a decrease of \$1,218,280 in expenditures and financing, resulting in an increase of \$186,114 from the General Fund contribution and decrease of \$2,889,410 from use of fund balance. This leaves a reserve of \$20,880,639 in the various fund balances.

EXPENDITURES

The increase in Salaries and Benefits of \$37,353 is due to cost increases for existing staff. The increase in Services and Supplies of \$566,621 is primarily due to increases in insurance premiums and legal fees. The decrease in Other Charges of \$1,822,254 is due to decreases in claim reserves and overhead charges.

REVENUES

The increase of \$130,000 in Use of Money is due to an increase in interest derived from various risk funds. The increase of \$855,016 in Charges for Services reflects cost increases for risk services. The increase of \$500,000 in Miscellaneous is due to an increase in contributions from other funds.

STAFFING

Staffing is status quo for 2019-20.

YEAR 1 BUDGET DETAIL

Budget Unit: 52

All Funds	Actual 2017-18	Adopted 2018-19	Estimated 2018-19	Recommended 2019-20	Change from 2018-19	
Revenues						
Use of Money	357,650	171,500	310,047	301,500	130,000	75.8%
Charges for Services	16,722,406	17,128,980	17,212,724	17,983,996	855,016	5.0%
Miscellaneous	196,404	1,501,000	1,621,427	2,001,000	500,000	33.3%
Total Revenues	17,276,460	18,801,480	19,144,198	20,286,496	1,485,016	7.9%
<i>General Fund</i>	<i>1,667,325</i>	<i>1,709,149</i>	<i>1,709,149</i>	<i>1,895,263</i>	<i>186,114</i>	<i>10.9%</i>
<i>Other Funds</i>	<i>(1,068,660)</i>	<i>27,451,903</i>	<i>2,866,974</i>	<i>24,562,493</i>	<i>(2,889,410)</i>	<i>-10.5%</i>
Total Financing	17,875,125	47,962,532	23,720,321	46,744,252	(1,218,280)	-2.5%
Expenditures						
Salaries & Benefits	1,589,409	1,542,679	1,542,146	1,580,032	37,353	2.4%
Services & Supplies	14,952,595	18,138,442	16,779,144	18,705,063	566,621	3.1%
Other Charges	1,365,202	28,314,891	5,432,511	26,492,637	(1,822,254)	-6.4%
Subtotal	17,907,206	47,996,012	23,753,801	46,777,732	(1,218,280)	-2.5%
<i>IntraFund Transfers</i>	<i>(32,081)</i>	<i>(33,480)</i>	<i>(33,480)</i>	<i>(33,480)</i>	<i>0</i>	<i>0.0%</i>
Total Expenditures	17,875,125	47,962,532	23,720,321	46,744,252	(1,218,280)	-2.5%
Total Staffing	12.00	12.00	12.00	12.00	0.00	0.0%

YEAR 1 FINANCING CHANGES

Financing Sources	Description/ Impact	Increase/ (Decrease)
Use of Money	Increase in interest derived from various risk funds.	130,000
Charges for Services	Various increases in charges for funding risk services.	855,016
Miscellaneous	Increase in contributions from other funds.	500,000
General Fund	Increase in General Fund contribution to Liability and Property Insurance charges.	186,114
Other Funds	Decrease in use of fund balance.	(2,889,410)
Total		(1,218,280)

YEAR 1 EXPENDITURE CHANGES

Financing Uses	Description/ Impact	Cost/ (Savings)
Salaries & Benefits	Increase in costs for existing staff.	37,353
Services & Supplies	Increase in insurance premiums and legal fees.	566,621
Other Charges	Decrease in claim reserves, fund balance and overhead charges.	(1,822,254)
Total		(1,218,280)

YEAR 1 PROGRAM DETAIL

Program Financing	Adopted 2018-19	FY 2019-20 Financing				Δ
		Revenues	Other Funds	General Fund	Total Financing	
Dental Insurance	3,249,796	2,161,000	620,227	0	2,781,227	-14.4%
Employee Insurance	2,059,018	2,004,500	109,274	0	2,113,774	2.7%
Liability & Property Program	15,239,909	5,100,000	8,677,211	0	13,777,211	-9.6%
Liability & Property Program GF	1,709,149	0	0	1,895,263	1,895,263	10.9%
Unemployment Insurance	628,902	454,000	124,641	0	578,641	-8.0%
Workers Compensation	23,612,256	9,201,000	14,998,816	0	24,199,816	2.5%
Employee Benefits Staffing	1,463,502	1,365,996	32,324	0	1,398,320	-4.5%
Total Financing	47,962,532	20,286,496	24,562,493	1,895,263	46,744,252	-2.5%

Program Expenditures	Adopted 2018-19	FY 2019-20 Expenditures			Total Expenditures	Δ
		Salaries & Benefits	Services & Supplies	Other		
Dental Insurance	3,249,796	0	2,623,000	158,227	2,781,227	-14.4%
Employee Insurance	2,059,018	1,110,120	786,060	217,594	2,113,774	2.7%
Liability & Property Program	15,239,909	0	5,722,750	8,054,461	13,777,211	-9.6%
Liability & Property Program GF	1,709,149	0	1,928,743	(33,480)	1,895,263	10.9%
Unemployment Insurance	628,902	0	490,000	88,641	578,641	-8.0%
Workers Compensation	23,612,256	0	6,245,000	17,954,816	24,199,816	2.5%
Employee Benefits Staffing	1,463,502	469,912	909,510	18,898	1,398,320	-4.5%
Total Expenditures	47,962,532	1,580,032	18,705,063	26,459,157	46,744,252	-2.5%

RISK MANAGEMENT CLAIMS RESERVES

CLAIMS RESERVES

Claims Reserves are used to address various unforeseen risk fund expenditures throughout the year. These reserves protect the County from major losses and manage the significant fluctuations in claims.

The County receives an actuarial report biannually which sets reserve goals for Liability & Property and Workers Compensation risk funds. The County's goal is to maintain a claims reserve

balance of 80-85 percent of the actuarial goal for these risk funds.

While the other risk funds do not have claims reserves goals, it is best practices to maintain some reserves as added protection from unanticipated increases in costs. These are established annually in consultation with Risk Management and the County Administration staff.

CLAIMS RESERVES DETAIL

Risk Funds Claims Reserves	Actuarial Goal	FY 2019-20 Reserves	% Funded
60118 Dental Insurance	120,000	120,000	100%
60120 Liability & Property	8,729,000	5,929,496	68%
60135 Unemployment Insurance	400,000	400,000	100%
60140 Workers Compensation	33,339,000	14,431,143	42%
Total Reserves	N/A	20,880,639	N/A

ACCOMPLISHMENTS & ACCOUNTABILITY

PRIOR YEAR GOALS

1. In the Risk Management Division, the Benefits Unit will improve the open enrollment process by incorporating the use of online fillable forms and will expand the range of information available on the Employee Benefits website.
2. Workers' Compensation will strive to reduce open claims by 10 percent, working with the Third Party Administrator (TPA) to close claims, and reducing the number of lost work days by collaborating with the TPA, doctors, departments and employees to return employees to work quickly.
3. Develop a health benefits cost containment plan.

2018-19 ACCOMPLISHMENTS

1. The Benefits Unit implemented an online fillable forms process for open enrollment which streamlined the process for employees enrolling into health benefits. The unit also expanded the range of information available on the Employee Benefits website.
2. The Workers' Compensation Program was able to reduce the number of open claims by 5.5 percent and the number of lost days by 5 percent which saved the program over 7 percent of future costs to the program.
3. The Risk Management Division continues to explore various health benefits cost containment ideas through the benefits contract negotiation process.

YEAR 2 PROJECTED BUDGET OVERVIEW

2020-21 PROJECTED BUDGET

The estimates included in the 2020-21 projected budget assume a status quo operation and reflect any known changes.

EXPENDITURES

The projected increase in Salaries and Benefits of \$67,737 is due to cost increases for existing staff. The projected increase in Services and Supplies of \$726,746 is due to cost increases for insurance premiums and legal fees. The projected decrease of \$21,091,886 in Other Charges is due to an increase in reserves and claims in 2019-20 that

will be adjusted at year-end and carried over to 2020-21.

REVENUES

The projected increase of \$950,000 in Charges for Services is for projected funding needs for providing risk services.

STAFFING

Staffing is status quo for 2020-21.

YEAR 2 PROJECTED BUDGET DETAIL

Budget Unit: 52

	Adopted 2018-19	Recommended 2019-20	Projected 2020-21	Change from 2019-20	
All Funds					
Revenues					
Use of Money	171,500	301,500	301,500	0	0.0%
Charges for Services	17,128,980	17,983,996	18,933,996	950,000	5.3%
Miscellaneous	1,501,000	2,001,000	2,001,000	0	0.0%
Total Revenues	18,801,480	20,286,496	21,236,496	950,000	4.7%
<i>General Fund</i>	<i>1,709,149</i>	<i>1,895,263</i>	<i>2,074,783</i>	<i>179,520</i>	<i>9.5%</i>
<i>Other Funds</i>	<i>27,451,903</i>	<i>24,562,493</i>	<i>3,135,570</i>	<i>(21,426,923)</i>	<i>-87.2%</i>
Total Financing	47,962,532	46,744,252	26,446,849	(20,297,403)	-43.4%
Expenditures					
Salaries & Benefits	1,542,679	1,580,032	1,647,769	67,737	4.3%
Services & Supplies	18,138,442	18,705,063	19,431,809	726,746	3.9%
Other Charges	28,314,891	26,492,637	5,400,751	(21,091,886)	-79.6%
Subtotal	47,996,012	46,777,732	26,480,329	(20,297,403)	-43.4%
<i>IntraFund Transfers</i>	<i>(33,480)</i>	<i>(33,480)</i>	<i>(33,480)</i>	0	0.0%
Total Expenditures	47,962,532	46,744,252	26,446,849	(20,297,403)	-43.4%
Total Staffing	12.00	12.00	12.00	0.00	0.0%

