

293 - WORKERS' COMPENSATION INTERNAL SERVICE FUND

Operational Summary

Description:

The Workers' Compensation Internal Service Fund is a division of the CEO/Office of Risk Management whose mission is to preserve and protect the human and capital assets of the County of Orange.

Strategic Goals:

- It is the goal of the self-insured Workers' Compensation Program to provide prompt state-mandated benefits to injured County employees and manage the anti-fraud program. This program also integrates workers' compensation benefits with specific benefits within labor agreements.
- The Safety and Loss Prevention Program strives to provide a safe environment for both County employees and members of the public who visit County facilities and receive County services through its pro-active safety, loss prevention, training and inspection programs. This strategy complements current departmental efforts to reduce the total cost of workers' compensation and liability claims.

Key Outcome Indicators:

| Performance Measure | 2006 Business Plan | 2007 Business Plan | How are we doing? |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Results | Target | |
| RELATIVE COST OF SAFETY AND WORKERS' COMPENSATION PROGRAM What: Shows the total expenditures of this program as a percent of total county expenditures. Why: Provides a constant measure of costs for all County departments. | The overall cost of this statutory benefit program was 1.07% of total county expenditures. | Remain 1% of total county expenditures. | Safety and Workers' Compensation Program costs for FY 2005/2006 were slightly over 1% of total county expenditures which is substantially lower than commercial insurance would have been. |

FY 2006-07 Key Project Accomplishments:

- Charges to county departments for this program are 25% less than what comparable commercial insurance would have cost based upon the California Workers' Compensation Uniform Statistical Plan rates.
- More than 2,600 claims from the prior third party claims administrator were successfully transitioned to the interim administrator.

Workers Compensation ISF - Workers' Compensation insurance and claim administration, Safety and Loss Prevention, and Anti-Fraud programs.

Ten Year Staffing Trend:



Ten Year Staffing Trend Highlights:

- There is a reduction of one position in Fiscal Year 2007-2008. An Administrative Manager position was transferred to Fund 294, Property and Casualty Risk Internal Service Fund, to support the insurance consultation and review function.

Final Budget History:

| Sources and Uses | FY 2005-2006 | FY 2006-2007 | | FY 2007-2008 | Change from FY 2006-2007 | |
|--------------------|----------------|-------------------------|----------------------------------------------------------------|--------------|--------------------------|---------|
| | Actual Exp/Rev | Budget As of 6/30/07 | FY 2006-2007 Actual Exp/Rev ⁽¹⁾ As of 6/30/07 | Final Budget | Actual Amount | Percent |
| Total Positions | 10 | 9 | 9 | 9 | 0 | 0.00 |
| Total Revenues | 51,139,155 | 42,700,038 | 42,700,582 | 40,901,706 | (1,798,876) | -4.21 |
| Total Requirements | 50,965,273 | 42,701,671 | 42,258,469 | 40,901,706 | (1,356,763) | -3.21 |
| Balance | 173,882 | (1,633) | 442,113 | 0 | (442,113) | -100.00 |

(1) Amounts include prior year expenditure and exclude current year encumbrance. Therefore, the totals listed above may not match Total FY 2006-07 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Workers' Compensation Internal Service Fund in the Appendix on page A218

Highlights of Key Trends:

- Even though temporary disability payment amounts were increased by the State, total Workers' Compensation program costs continue to level. This is due, in part, to legislative changes implemented by the State in 2004 and 2005.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Support the overall mission of the County Executive Office and the Strategic Financial Plan.

Changes Included in the Base Budget:

The total Workers' Compensation program charge to participants is reduced by \$3,000,000 from FY 2006-2007.

Services and Supplies expenses are higher due to Risk Management moving to leased space and increased professional service costs.



293 - Workers' Compensation Internal Service Fund

Operation of Internal Service Fund 293 Operational Statement for the Fiscal Year 2007-2008

| Operating Detail (1) | | FY 2005-2006 | FY 2006-2007 | FY 2007-2008 | FY 2007-2008 |
|--------------------------------------|--------------------------------------------------|-------------------|-------------------|------------------------|---------------------|
| | | Actual (2) | Actual (3) | Proposed Budget (4) | Final Budget (5) |
| OPERATING INCOME | | | | | |
| 7590 | Other Charges for Services | 70,986 | 0 | 0 | 0 |
| 7710 | Insurance Premiums | 47,095,019 | 36,988,386 | 33,992,170 | 33,992,170 |
| Total Operating Income | | 47,166,005 | 36,988,386 | 33,992,170 | 33,992,170 |
| OPERATING EXPENSES | | | | | |
| Salaries & Benefits | | | | | |
| 0100 | Salaries and Wages | (174,065) | 36,560 | 0 | 0 |
| 0101 | Regular Salaries | 503,334 | 544,650 | 570,275 | 570,275 |
| 0102 | Extra Help | 131 | 174 | 0 | 0 |
| 0103 | Overtime | 7,873 | 2,480 | 9,500 | 9,500 |
| 0104 | Annual Leave Payoffs | 12,847 | 8,340 | 61,000 | 61,000 |
| 0105 | Vacation Payoff | 39,012 | 0 | 0 | 0 |
| 0106 | Sick Leave Payoff | 143,895 | 0 | 0 | 0 |
| 0110 | Performance Incentive Pay | 0 | 113 | 1,771 | 1,771 |
| 0111 | Other Pay | 835 | 1,043 | 828 | 828 |
| 0200 | Retirement | 82,295 | 124,890 | 138,280 | 138,280 |
| 0204 | County Paid Executive Deferred Compensation Plan | 76 | 0 | 0 | 0 |
| 0301 | Unemployment Insurance | 1,059 | 660 | 678 | 678 |
| 0305 | Salary Continuance Insurance | 993 | 1,042 | 1,040 | 1,040 |
| 0306 | Health Insurance | 45,146 | 45,062 | 47,736 | 47,736 |
| 0308 | Dental Insurance | 1,748 | 1,829 | 1,848 | 1,848 |
| 0309 | Life Insurance | 361 | 394 | 384 | 384 |
| 0310 | Accidental Death and Dismemberment Insurance | 66 | 72 | 72 | 72 |
| 0319 | Other Insurance | 4,385 | 4,333 | 4,368 | 4,368 |
| 0352 | Workers Compensation - General | 17,040 | 11,184 | 7,830 | 7,830 |
| 0401 | Medicare | 6,296 | 8,048 | 8,274 | 8,274 |
| Total Salaries & Benefits | | 693,327 | 790,876 | 853,884 | 853,884 |
| Services & Supplies | | | | | |
| 0701 | Telephone/Telegraph - Interfund Transfer | 4,364 | 4,039 | 9,596 | 9,596 |
| 1000 | Household Expense | 15,009 | 15,528 | 4,500 | 4,500 |
| 1001 | Household Expense - Trash | 382 | 364 | 125 | 125 |
| 1100 | Insurance | 3,439 | 4,188 | 5,373 | 5,373 |
| 1300 | Maintenance - Equipment | 741 | 0 | 50,000 | 50,000 |

Operation of Internal Service Fund 293 Operational Statement for the Fiscal Year 2007-2008

| Operating Detail (1) | | FY 2005-2006 | FY 2006-2007 | FY 2007-2008 | FY 2007-2008 |
|--------------------------------------|------------------------------------------------------|---------------|---------------|------------------------|---------------------|
| | | Actual (2) | Actual (3) | Proposed Budget (4) | Final Budget (5) |
| 1400 | Maintenance - Buildings and Improvements | 7,908 | 10,988 | 2,500 | 2,500 |
| 1402 | Minor Alterations and Improvements | 0 | 52 | 0 | 0 |
| 1600 | Memberships | 75 | 225 | 100 | 100 |
| 1800 | Office Expense | 4,658 | 4,508 | 7,200 | 7,200 |
| 1801 | Duplicating Services (RDMD/Reprographics) | 5,048 | 22,745 | 6,500 | 6,500 |
| 1803 | Postage | 1,487 | 11,783 | 1,500 | 1,500 |
| 1806 | Printing Costs - Outside Vendors | 0 | 111 | 300 | 300 |
| 1809 | Minor Office Equipment to be Controlled | 2,484 | 23,872 | 35,000 | 35,000 |
| 1900 | Professional and Specialized Services | 2,695,090 | 2,559,881 | 2,895,318 | 2,895,318 |
| 1911 | CWCAP Charges | 271,265 | 130,156 | 285,000 | 285,000 |
| 2100 | Rents and Leases - Equipment | 2,320 | 0 | 2,700 | 2,700 |
| 2200 | Rents and Leases - Buildings and Improvements | 8,981 | 10,895 | 100,941 | 100,941 |
| 2400 | Special Departmental Expense | 0 | 1,380 | 5,000 | 5,000 |
| 2405 | Optional Benefit Plan | 8,000 | 7,000 | 7,008 | 7,008 |
| 2600 | Transportation and Travel - General | 3,353 | 8,389 | 17,850 | 17,850 |
| 2601 | Private Auto Mileage | 177 | 110 | 500 | 500 |
| 2602 | Garage Expense | 7,457 | 9,805 | 12,284 | 12,284 |
| 2700 | Transportation and Travel - Meetings/ Conferences | 3,084 | 4,460 | 10,000 | 10,000 |
| 2800 | Utilities | 4,790 | 7,709 | 3,750 | 3,750 |
| 2801 | Utilities - Purchased Electricity | 6,398 | 7,472 | 2,500 | 2,500 |
| 2802 | Utilities - Purchased Gas | 5 | 22 | 50 | 50 |
| 2803 | Utilities - Purchased Water | 253 | 191 | 350 | 350 |
| 2890 | Intra-Agency Services & Supplies Billing Offsets | (17,040) | (11,184) | (7,830) | (7,830) |
| Total Services & Supplies | | 3,039,728 | 2,834,588 | 3,458,115 | 3,458,115 |
| Other Charges | | | | | |
| 3520 | Insurance Claims * | 47,169,895 | 38,547,849 | 36,493,707 | 36,493,707 |
| Total Other Charges | | 47,169,895 | 38,547,849 | 36,493,707 | 36,493,707 |
| Miscellaneous | | | | | |
| 5300 | Depreciation | 1,089 | 544 | 0 | 0 |
| Total Miscellaneous | | 1,089 | 544 | 0 | 0 |
| Total Operating Expenses | | 50,904,039 | 42,173,857 | 40,805,706 | 40,805,706 |
| Total Operating Income (Loss) | | (3,738,034) | (5,185,471) | (6,813,536) | (6,813,536) |
| NON-OPERATING REVENUE | | | | | |
| 6610 | Interest | 2,575,002 | 4,366,786 | 4,800,000 | 4,800,000 |
| 7130 | Other Governmental Agencies | (2,562) | 0 | 0 | 0 |
| 7670 | Miscellaneous Revenue | 306,467 | 353,494 | 350,000 | 350,000 |
| Total Non-Operating Revenue | | 2,878,907 | 4,720,280 | 5,150,000 | 5,150,000 |

Operation of Internal Service Fund 293 Operational Statement for the Fiscal Year 2007-2008

| Operating Detail (1) | | FY 2005-2006 | FY 2006-2007 | FY 2007-2008 | FY 2007-2008 |
|----------------------------------------------------------------------------------------------|----------------------------------------|---------------|---------------|------------------------|---------------------|
| | | Actual (2) | Actual (3) | Proposed Budget (4) | Final Budget (5) |
| NON-OPERATING EXPENSES | | | | | |
| 1912 | Investment Administrative Fees | 61,237 | 84,613 | 96,000 | 96,000 |
| Total Non-Operating Expenses | | 61,237 | 84,613 | 96,000 | 96,000 |
| Net Non-Operating Income (Loss) | | 2,817,670 | 4,635,667 | 5,054,000 | 5,054,000 |
| Income (Loss) Before Contributions & Transfers | | (920,361) | (549,804) | (1,759,536) | (1,759,536) |
| STATEMENT OF CHANGES IN NET ASSETS - UNRESTRICTED | | | | | |
| Income (Loss) Before Contributions & Transfers | | (920,361) | (549,804) | (1,759,536) | (1,759,536) |
| 7810 | Interfund Transfers In - from Fund 100 | 1,103,793 | 817,491 | 1,300,000 | 1,300,000 |
| Changes to Reserves - Encumbrance - (Inc)/Dec. | | (15,537) | (442,855) | 0 | 0 |
| Changes to Reserves - Net Assets, Invested in Capital Assets, Net of Related Debt (Inc)/Dec. | | 1,089 | 544 | 0 | 0 |
| Increase (Decrease) in Net Assets - Unrestricted | | 168,984 | (174,624) | (459,536) | (459,536) |
| Net Assets - Unrestricted - Beginning of Year | | 4,899 | 173,883 | 459,536 | 459,536 |
| Net Assets - Unrestricted - End of Year | | 173,883 | (741) | 0 | 0 |

*Note -The County has adopted a policy of including in the fiscal year-end expense accruals an amount equal to claims "incurred but not reported" (INBR) as well as reported claims.