

ADMINISTRATIVE AGENDA
BUDGET REVISIONS

1/10/12

REVENUE REVISIONS

Requires 4/5 Votes

Transfer No.1952 \$ 1,866,000 Total

General Services/Risk Management: Decrease the County Workers' Compensation liability by \$1,866,000 per actuary report dated 11/3/11.

Transfer No.1953 \$ 656,000 Total

General Services/Risk Management: Increase the County Liability-Self Insurance Funds' liability by \$656,000 per actuary report dated 10/20/11.

Transfer No.1958 \$ 137,000 Total

General Services/Risk Management: Decrease the County Medical Malpractice-Self Insurance Funds' liability by \$137,000 per actuary report dated 10/13/11.

Contingency Fund Detail

1/10/2012

Beginning Balance (FIN), 07/01/11		\$826,121.00
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General Fund Contingency Transfers:

FY 11-12 Adopted Budget	Increase per FY 2011-12 Budget Principles	500,000.00
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General County Programs- Libraries Budget Journal Entry #0001697	Increase the Library appropriation by \$351,743 using AB 1600 fees \$251,743 and Contingency \$100,000 to reimburse the City of Santa Maria for improvements at the new Orcutt Public Library	(112,000.00)
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<u>Projected Ending Balance (FIN), 06/30/12</u>		\$1,214,121.00
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Budget Revision Request

Gov. Code Sec. 29125 & 29130

JE 0057726

Related Journal Entry #

Subject / Title: Provide a *short description* for this budget revision request to increase/transfer/cancel appropriations. For example: "Establish (or increase) appropriation of \$xx,xxx funded by unanticipated revenue", or "Transfer appropriations of \$xx,xxx from (object level) to (object level)", or "Cancel (or decrease) appropriation of \$xx,xxx due to unrealized revenue".

General Services/Risk Management: Decrease the County Workers' Compensation liability by \$1,866,000 per actuary report dated 11/3/2011.

Justification: For all changes: explain what the change is for and why it is needed. Attach additional justification, board letters or spreadsheet, if appropriate. When moving Appropriation: explain why it's available. When Revenue is adjusted: explain the reason for the increase or decrease. For adjustments to General Fund Contingency: explain why no other alternative funding source is available.

This budget revision request decreases the outstanding County Workers' Compensation liability by \$1,866,000 per projections provided in the Bickmore Actuarial Report dated 11/3/2011.

Financial Summary

	Department / Fund or Capital Project 063 / 1911	Department / Fund or Capital Project /	Department / Fund or Capital Project /	Department / Fund or Capital Project /
Increase or (Decrease) in Appropriation for / Uses:				
Salaries & Benefits	00	00	00	00
Services & Supplies	(1,866,000) 00	00	00	00
Other Charges	00	00	00	00
Fixed Assets	00	00	00	00
Other Financing Uses	00	00	00	00
Intrafund Transfers	00	00	00	00
Fund Balance Components	00	00	00	00
Sources:				
Revenue	00	00	00	00
Other Financing Sources	00	00	00	00
Intrafund Transfers	00	00	00	00
Fund Balance Components	00	00	00	00
Effect on Contingency / RE	1,866,000 00	00	00	00

Departmental Authorization	Auditor-Controller	CEO's Recommendation	Board of Supervisor's Action
[Signature] 11/3/12 Department Head Date	Budget Journal Entry and Related Journal Entry if applicable Approved as to Accounting Form. [Signature] Auditor-Controller	<input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove Date 1.5.12 Transfer/Revision in Accordance with Board Policy dated 8/3/93. [Signature] County Executive Officer	<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved Date Agenda Item Clerk of the Board of Supervisors

Budget Journal Entry

Document Number: BJE - 0001952 Batch ID: 1409587 Created On: 12/22/2011 9:24:03 AM
 Document Description: Work Comp actuarial adjustment per 1/3/2011 Bickmore Processed On: Created By: Brian Duggan
 Post On: Processed By:

References

Audit Trail:

Accounting

Fund	Dept	GL Acct	LI Acct	Debit Amount	Credit Amount	Prog	OUnit	Proj	Budget Period	Description
1911	063	2530	7089	1,866,000.00		2110			201201	Actuarial adjustment for Work Comp
1911	063	2530	9600		1,866,000.00	2110			201201	Actuarial adjustment for Work Comp
Total				1,866,000.00	1,866,000.00					

Signatures

Signed By	Signed On	Department/Agency
Julie Hagen	1/3/2012 2:31:41 PM	061 - Auditor-Controller
Stephen Williams	1/3/2012 2:43:38 PM	061 - Auditor-Controller
Brian Duggan	1/3/2012 2:50:01 PM	063 - General Services

(NO LONGER VALID)

County of Santa Barbara - Workers' Compensation

Short- and Long-Term Liabilities

<u>Liabilities as of 6/30/11:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$5,463,899	\$5,436,782
	ULAE:	310,370	308,830
	Short-Term Loss and LAE:	\$5,774,269	\$5,745,612
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$25,081,165	\$23,801,036
	ULAE:	0	0
	Long-Term Loss and LAE:	\$25,081,165	\$23,801,036
<u>Total Liability</u>	Loss and ALAE:	\$30,545,064	\$29,237,818
	ULAE:	310,370	308,830
	Total Loss and LAE:	\$30,855,434	\$29,546,648

<u>Liabilities as of 6/30/12:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$4,576,605	\$4,553,892
	ULAE:	0	0
	Short-Term Loss and LAE:	\$4,576,605	\$4,553,892
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$20,504,560	\$19,508,206
	ULAE:	0	0
	Long-Term Loss and LAE:	\$20,504,560	\$19,508,206
<u>Total Liability</u>	Loss and ALAE:	\$25,081,165	\$24,062,098
	ULAE:	0	0
	Total Loss and LAE:	\$25,081,165	\$24,062,098

B/S 6/30/11

5,647,000

20,281,000

66,100 Dr
1,093,000

66,100 Dr
773,000

70895 1,566,000 CR

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 6/30/11:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$5,953,276	\$6,176,184	\$6,437,150	\$6,763,357	\$7,198,299
	ULAE:	338,169	350,831	365,655	384,185	408,891
	Short-Term Loss and LAE:	\$6,291,445	\$6,527,015	\$6,802,805	\$7,147,542	\$7,607,190
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$26,062,135	\$27,037,977	\$28,180,427	\$29,608,489	\$31,512,572
	ULAE:	0	0	(1)	(1)	0
	Long-Term Loss and LAE:	\$26,062,135	\$27,037,977	\$28,180,426	\$29,608,488	\$31,512,572
<u>Total Liability</u>	Loss and ALAE:	\$32,015,411	\$33,214,161	\$34,617,577	\$36,371,846	\$38,710,871
	ULAE:	338,169	350,831	365,654	384,184	408,891
	Total Loss and LAE:	\$32,353,580	\$33,564,992	\$34,983,231	\$36,756,030	\$39,119,762
<u>Liabilities as of 6/30/12:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$4,986,512	\$5,173,221	\$5,391,808	\$5,665,042	\$6,029,353
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	\$4,986,512	\$5,173,221	\$5,391,808	\$5,665,042	\$6,029,353
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$21,361,485	\$22,161,322	\$23,097,716	\$24,268,208	\$25,828,865
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	\$21,361,485	\$22,161,322	\$23,097,716	\$24,268,208	\$25,828,865
<u>Total Liability</u>	Loss and ALAE:	\$26,347,997	\$27,334,543	\$28,489,524	\$29,933,250	\$31,858,218
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	\$26,347,997	\$27,334,543	\$28,489,524	\$29,933,250	\$31,858,218

Note: Current (short term) liabilities are the portion of the total estimated liability shown on Appendix F that is expected to be paid out within the coming year. Totals may vary from Exhibit 1, due to rounding.

11/3/2011 Balmore

Balance Sheet

As of: 6/30/2011
Accounting Period: CLOSED

Selection Criteria: Fund = 1911

Layout Options: Summarized By = Fund; Page Break At = Fund

Fund 1911 -- Workers' Comp Self Insurance

	Beginning Balance 7/1/2010	Year-To-Date Debits	Year-To-Date Credits	Ending Balance 6/30/2011
Assets & Other Debits				
Assets				
0110 -- Cash in Treasury	32,560,690.26	11,965,047.95	19,745,186.55	24,780,551.66
0112 -- Deposits in Transit	0.00	628.27	628.27	0.00
0115 -- Treasury FMV Adjustment	187,928.90	72,292.66	208,827.61	51,393.95
0215 -- Vendor Credit Memos Receivable	0.00	153.60	153.60	0.00
0230 -- Accounts Receivable	1,345,648.89	995,851.03	1,295,682.68	1,045,817.24
0240 -- Interest Receivable	78,488.70	257,657.58	284,316.32	51,829.96
0260 -- Due From Other Funds	0.00	30,000.00	0.00	30,000.00
0510 -- Prepaid W/C Insurance	0.00	4,740.96	4,740.96	0.00
0730 -- Equipment	9,049.39	0.00	0.00	9,049.39
0733 -- Accum Depr-Equipment	-9,049.39	0.00	0.00	-9,049.39
0760 -- Office Furniture & Equipment	138,267.95	0.00	0.00	138,267.95
0766 -- Accum Depr-Office Furn & Equip	-121,428.02	0.00	3,584.80	-125,012.82
Total Assets	34,189,596.68	13,326,372.05	21,543,120.79	25,972,847.94
Total Assets & Other Debits	34,189,596.68	13,326,372.05	21,543,120.79	25,972,847.94
Liabilities, Equity & Other Credits				
Liabilities				
1010 -- Warrants Payable	0.00	4,014,938.56	4,014,938.56	0.00
1015 -- EFT Payable	1,560.25	12,738,903.20	12,767,434.42	30,091.47
1020 -- Salaries & Benefits Payable	42,545.00	1,074,842.14	1,070,761.44	38,464.30
1210 -- Accounts Payable	372.53	16,703,524.39	16,703,277.48	125.62
1230 -- Claims Payable	7,409,753.00	3,525,506.00	1,762,753.00	5,647,000.00
1440 -- Capital Lease Oblig-short term	1,778.99	1,778.99	0.00	0.00
1730 -- Unidentified Deposits	0.00	2,043,928.40	2,043,928.40	0.00
1910 -- Net OPEB Obligation-long term	78,366.79	993.61	20,540.39	97,913.57
1930 -- Compensated Absences-long term	81,481.00	17,295.00	4,517.00	68,703.00

Balance Sheet

As of: 6/30/2011
Accounting Period: CLOSED

Selection Criteria: Fund = 1911

Layout Options: Summarized By = Fund; Page Break At = Fund

Fund 1911 -- Workers' Comp Self Insurance

	Beginning Balance 7/1/2010	Year-To-Date Debits	Year-To-Date Credits	Ending Balance 6/30/2011
1950 -- Litigation & Ins. Claim Liab	23,872,746.00	7,183,492.00	3,591,746.00	20,281,000.00
Total Liabilities	31,488,603.56	47,305,202.29	41,979,896.69	26,163,297.96
Equity				
2350 -- Retained Earnings-Unreserved	2,700,993.12	79,594,928.15	76,703,485.01	-190,450.02
Total Equity	2,700,993.12	79,594,928.15	76,703,485.01	-190,450.02
Total Liabilities, Equity & Other Credits	34,189,596.68	126,900,130.44	118,683,381.70	25,972,847.94

Actuarial Review of the Self-Insured Workers' Compensation Program

*Outstanding Liabilities as of June 30, 2011 and June 30, 2012
Forecast for Fiscal Years 2011-12 and 2012-13*

Presented to

Santa Barbara County

November 2011



Bickmore Risk Services
Reducing Cost of Risk



Bickmore Risk Services & Consulting

November 3, 2011

Mr. Ray Aromatorio
Risk Manager
County of Santa Barbara
130 E. Victoria Street
Santa Barbara, CA 93101

Re: Actuarial Review of the Self-Insured Workers' Compensation Program

Dear Mr. Aromatorio:

As you requested, we have completed our review of Santa Barbara County's self-insured workers' compensation program. We are aware that the County joined CSAC-EIA's PWC program effective July 1, 2010. Regarding the claims which have occurred prior to this date, we estimate the program's liability for the outstanding tail to be \$29,546,000 and \$24,062,000 as of June 30, 2011 and June 30, 2012, respectively, including ALAE and ULAE, and discounted for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the County's claims, assuming a 1% return on investments per year. Given estimated program assets of \$25,973,000 as of June 30, 2011, the program was funded below the expected confidence level (see Graph 1a on Page 8.)

The \$29,546,000 estimate is the minimum liability to be booked by the County at June 30, 2011 for its workers' compensation program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the County to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Additionally, we have provided funding estimates for the 2011-12 and 2012-13 fiscal years assuming a \$500,000 self-insured retention. If the County had not elected to participate in CSAC's PWC program, it is estimated that additional 2012-13 funding of approximately \$1,872,000 would be needed to meet the marginally acceptable (70% confidence level) loss and LAE projection for its self-insurance program.

www.BRSrisk.com
800.541.4591
f. 916.244.1199

CORPORATE
1750 Creekside Oaks Drive
Suite 200
Sacramento, CA 95833
d. 916.244.1100

3780 Kilroy Airport Way
Suite 470
Long Beach, CA 90806
d. 562.508.4400

5320 SW MacAdam Avenue
Suite 100
Portland, OR 97239
d. 503.419.0450

Assuming a 1% annual investment income rate, our conclusions regarding the County's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2011 are summarized in the table below.

Santa Barbara County
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2011

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$30,545,000					
ULAE	310,000					
Investment Income Offset	(1,309,000)					
Discounted Loss and LAE	\$29,546,000	\$32,353,000	\$33,564,000	\$34,982,000	\$36,755,000	\$39,119,000
Available Funding	25,973,000					
Surplus or (Deficit)	(\$3,573,000)	(\$6,380,000)	(\$7,591,000)	(\$9,009,000)	(\$10,782,000)	(\$13,146,000)

Our conclusions regarding the County's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2012 are summarized in the table below.

Santa Barbara County
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2012

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$25,081,000					
ULAE	0					
Investment Income Offset	(1,019,000)					
Discounted Loss and LAE	\$24,062,000	\$26,348,000	\$27,334,000	\$28,489,000	\$29,933,000	\$31,858,000
Available Funding	20,117,000					
Surplus or (Deficit)	(\$3,945,000)	(\$6,231,000)	(\$7,217,000)	(\$8,372,000)	(\$9,816,000)	(\$11,741,000)

adjustment expenses (LAE) at June 30, 2011 and June 30, 2012 are summarized in the tables below.

Santa Barbara County
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2011

	Expected	Marginally Recommended Range			Conservative 90% CL
		Acceptable 70% CL	Low 75% CL	Target 80% CL	
Loss and ALAE	\$30,545,000				
ULAE	310,000				
Investment Income Offset	<u>(3,608,000)</u>				
Discounted Loss and LAE	\$27,247,000	\$29,835,000	\$30,953,000	\$32,260,000	\$33,895,000
Available Funding	<u>25,973,000</u>				
Surplus or (Deficit)	(\$1,274,000)	(\$3,862,000)	(\$4,980,000)	(\$6,287,000)	(\$7,922,000)
					(\$10,102,000)

Santa Barbara County
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2012

	Expected	Marginally Recommended Range			Conservative 90% CL
		Acceptable 70% CL	Low 75% CL	Target 80% CL	

Although we understand the County is currently fully insured due to its participation in CSAC's PWC program, we provide in the table below our funding estimates for the 2012-13 fiscal year assuming a self-insured retention of \$500,000.

Santa Barbara County
 Self-Insured Workers' Compensation Program
 Loss and LAE Funding Guidelines for 2012-13
 Self-Insured Retention (SIR) of \$500,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$9,208,000					
ULAE	921,000					
Investment Income Offset	(476,000)					
Discounted Loss and LAE	\$9,653,000	\$10,647,000	\$11,033,000	\$11,487,000	\$12,037,000	\$12,781,000

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The figure for the 70% confidence level listed above when combined with County projections for excess insurance and self-insured expenses is estimated to be approximately \$1,872,000 greater than the projected costs under the PWC program.

Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, and recent WCAB court decisions based upon information provided by the WCIRB.

The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the County's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to Santa Barbara County in preparing this report. Please feel free to contact Derek Burkhalter at (916) 244-1167 or John Alltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



Derek Burkhalter, ACAS, MAAA
Manager, Property and Casualty Actuarial Services, BRS
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries



John Alltop, FCAS, MAAA
Managing Director, Actuarial and Risk Financing, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Budget Revision Request

Gov. Code Sec. 29125 & 29130

JE **0057731**

Related Journal Entry #

Subject / Title: Provide a *short description* for this budget revision request to increase/transfer/cancel appropriations. For example: "Establish (or increase) appropriation of \$xx,xxx funded by unanticipated revenue", or "Transfer appropriations of \$xx,xxx from (object level) to (object level)", or "Cancel (or decrease) appropriation of \$xx,xxx due to unrealized revenue".



General Services/Risk Management: Increase the County Liability-Self Insurance Funds' liability by \$656,000 per actuary report dated 10/21/2011.

Justification: For all changes: explain what the change is for and why it is needed. Attach additional justification, board letters or spreadsheet, if appropriate. When moving Appropriation: explain why it's available. When Revenue is adjusted: explain the reason for the increase or decrease. For adjustments to General Fund Contingency: explain why no other alternative funding source is available.

This budget revision request increases the outstanding County Liability-Self Insurance Funds' liability by \$656,000 per projections provided in the Bickmore Actuarial Report dated 10/21/2011.

Financial Summary

	Department / Fund or Capital Project 063 / 1912	Department / Fund or Capital Project /	Department / Fund or Capital Project /	Department / Fund or Capital Project /
Increase or (Decrease) in Appropriation for / Uses:				
Salaries & Benefits	00	00	00	00
Services & Supplies	656,000 00	00	00	00
Other Charges	00	00	00	00
Fixed Assets	00	00	00	00
Other Financing Uses	00	00	00	00
Intrafund Transfers	00	00	00	00
Fund Balance Components	00	00	00	00
Sources:				
Revenue	00	00	00	00
Other Financing Sources	00	00	00	00
Intrafund Transfers	00	00	00	00
Fund Balance Components	00	00	00	00
Effect on Contingency / RE	(656,000) 00	00	00	00

Departmental Authorization 30/11/12 Department Head Date _____ Date _____ Date	Auditor-Controller Budget Journal Entry and Related Journal Entry if applicable Approved as to Accounting Form.  Auditor-Controller	CEO's Recommendation <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove 1.5.12 Date Transfer/Revision in Accordance with Board Policy dated 8/3/93.  County Executive Officer	Board of Supervisor's Action <input type="checkbox"/> Approved <input type="checkbox"/> Disapproved _____ Date _____ Agenda Item _____ Clerk of the Board of Supervisors
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Budget Journal Entry

Document Number: BJE - 0001953 Batch ID: 1409664 Created On: 12/22/2011 10:38:29 AM
 Document Description: G/L actuarial adjustment per 10/21/2011 BickmoreLiability Processed On: Created By: Brian Duggan
 Post On: Processed By:

References

Audit Trail: je 0057731

Accounting

Fund	Dept	GL Acct	LI Acct	Debit Amount	Credit Amount	Prog	OUnit	Proj	Budget Period	Description
1912	063	2530	7089		656,000.00	2120			201201	Actuarial liability adjustment for G/L fund
1912	063	2420	9600	656,000.00		2120			201201	Actuarial liability adjustment for G/L fund
				Total	656,000.00					
					656,000.00					

Signatures

Signed By: _____ Signed On: _____ Department/Agency: _____
 Brian Duggan 1/3/2012 11:19:41 AM 063 - General Services

Journal Entry

Document Number: JE - 0057731 Created On: 12/21/2011 4:48:32 PM
 Document Description: Record Liability fund change in actuarial liability per Bickmore 10/21/11 Batch ID: 1409493
 Post On: Created By: Brian Duggan
 Processed On: Processed By:

References

Audit Trail: bje0001953 Cash Type:

Accounting

Fund	Dept	GL Acct	LI Acct	Debit Amount	Credit Amount	Prog	OUnit	Proj	Act	Area	Equip	Depositor	Description
1912		1230			289,000.00								GL Short Term Actuarial adjustment
1912		1950			367,000.00								GL Long Term Actuarial adjustment
1912	063	2350		656,000.00									GL Actuarial adjustment per Bickmore 10/21/11
1912	063	2810	7089	656,000.00		2120							GL Actuarial adjustment per Bickmore 10/21/11
1912	063	2710	9600		656,000.00	2120							GL Actuarial adjustment per Bickmore 10/21/11
Total				1,312,000.00	1,312,000.00								

Signatures

Signed By: _____ Signed On: _____ Department/Agency: _____
 Brian Duggan 1/3/2012 11:20:07 AM 063 - General Services

County of Santa Barbara - Liability

Short- and Long-Term Liabilities

Liabilities as of 6/30/11:		Expected	Discounted
<u>Current (Short Term)</u>	Loss and ALAE:	\$2,804,072	\$2,790,156
	ULAE:	182,250	181,346
	Short-Term Loss and LAE:	<u>\$2,986,322</u>	<u>\$2,971,502</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$4,091,979	\$3,989,008
	ULAE:	156,677	151,836
	Long-Term Loss and LAE:	<u>\$4,248,656</u>	<u>\$4,140,844</u>
<u>Total Liability</u>	Loss and ALAE:	\$6,896,051	\$6,779,164
	ULAE:	338,927	333,182
	Total Loss and LAE:	<u>\$7,234,978</u>	<u>\$7,112,346</u>

Liabilities as of 6/30/12:		Expected	Discounted
<u>Current (Short Term)</u>	Loss and ALAE:	\$2,573,069	\$2,560,299
	ULAE:	184,907	183,989
	Short-Term Loss and LAE:	<u>\$2,757,976</u>	<u>\$2,744,288</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$3,926,476	\$3,826,674
	ULAE:	160,914	155,842
	Long-Term Loss and LAE:	<u>\$4,087,390</u>	<u>\$3,982,516</u>
<u>Total Liability</u>	Loss and ALAE:	\$6,499,545	\$6,386,973
	ULAE:	345,821	339,831
	Total Loss and LAE:	<u>\$6,845,366</u>	<u>\$6,726,804</u>

Discounted with a Margin for Contingencies

	70% Confidence	75% Confidence	80% Confidence	85% Confidence	90% Confidence
--	-------------------	-------------------	-------------------	-------------------	-------------------

<u>Liabilities as of 6/30/11:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$3,105,444	\$3,242,161	\$3,403,990	\$3,604,882	\$3,872,737
	ULAE:	201,838	210,724	221,242	234,299	251,708
	Short-Term Loss and LAE:	<u>\$3,307,282</u>	<u>\$3,452,885</u>	<u>\$3,625,232</u>	<u>\$3,839,181</u>	<u>\$4,124,445</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$4,439,766	\$4,635,228	\$4,866,590	\$5,153,798	\$5,536,743
	ULAE:	168,993	176,433	185,240	196,172	210,748
	Long-Term Loss and LAE:	<u>\$4,608,759</u>	<u>\$4,811,661</u>	<u>\$5,051,830</u>	<u>\$5,349,970</u>	<u>\$5,747,491</u>
<u>Total Liability</u>	Loss and ALAE:	\$7,545,210	\$7,877,389	\$8,270,580	\$8,758,680	\$9,409,480
	ULAE:	370,831	387,157	406,482	430,471	462,456
	Total Loss and LAE:	<u>\$7,916,041</u>	<u>\$8,264,546</u>	<u>\$8,677,062</u>	<u>\$9,189,151</u>	<u>\$9,871,936</u>
<u>Liabilities as of 6/30/12:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$2,849,613	\$2,975,067	\$3,123,565	\$3,307,906	\$3,553,695
	ULAE:	204,780	213,795	224,467	237,714	255,377
	Short-Term Loss and LAE:	<u>\$3,054,393</u>	<u>\$3,188,862</u>	<u>\$3,348,032</u>	<u>\$3,545,620</u>	<u>\$3,809,072</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$4,259,088	\$4,446,596	\$4,668,542	\$4,944,063	\$5,311,424
	ULAE:	173,452	181,088	190,127	201,348	216,308
	Long-Term Loss and LAE:	<u>\$4,432,540</u>	<u>\$4,627,684</u>	<u>\$4,858,669</u>	<u>\$5,145,411</u>	<u>\$5,527,732</u>
<u>Total Liability</u>	Loss and ALAE:	\$7,108,701	\$7,421,663	\$7,792,107	\$8,251,969	\$8,865,119
	ULAE:	378,232	394,883	414,594	439,062	471,685
	Total Loss and LAE:	<u>\$7,486,933</u>	<u>\$7,816,546</u>	<u>\$8,206,701</u>	<u>\$8,691,031</u>	<u>\$9,336,804</u>

Note: Current (short term) liabilities are the portion of the total estimated liability shown on Appendix G that is expected to be paid out within the coming year. Totals may vary from Exhibit 1, due to rounding.

Balance Sheet

As of: 6/30/2011
Accounting Period: CLOSED

Selection Criteria: Fund = 1912
Layout Options: Summarized By = Fund; Page Break At = Fund

Fund 1912 -- County Liability-Self Insuranc

	Beginning Balance 7/1/2010	Year-To-Date Debits	Year-To-Date Credits	Ending Balance 6/30/2011
Assets & Other Debits				
Assets				
0110 -- Cash in Treasury	9,496,254.66	6,063,003.53	6,589,579.27	8,969,678.92
0115 -- Treasury FMV Adjustment	54,809.06	25,351.14	61,557.42	18,602.78
0240 -- Interest Receivable	22,781.97	71,857.28	76,824.19	17,815.06
0260 -- Due From Other Funds	0.00	10,000.00	0.00	10,000.00
0510 -- Prepaid W/C Insurance	0.00	1,295.04	1,295.04	0.00
0760 -- Office Furniture & Equipment	48,993.93	0.00	0.00	48,993.93
0766 -- Accum Depr-Office Furn & Equip	-44,284.37	0.00	0.00	-44,284.37
Total Assets	9,578,555.25	6,171,506.99	6,729,255.92	9,020,806.32
Liabilities, Equity & Other Credits				
Liabilities				
1010 -- Warrants Payable	0.00	1,497,007.85	1,497,007.85	0.00
1015 -- EFT Payable	265.40	2,615,552.14	2,615,286.74	0.00
1020 -- Salaries & Benefits Payable	12,937.76	539,767.96	548,712.68	21,882.48
1210 -- Accounts Payable	0.00	4,111,784.59	4,111,784.59	0.00
1230 -- Claims Payable	2,345,000.00	0.00	110,000.00	2,455,000.00
1240 -- Accrued Expenses	258,000.00	258,000.00	252,682.50	252,682.50
1440 -- Capital Lease Oblig-short term	2,441.25	2,441.25	0.00	0.00
1730 -- Unidentified Deposits	0.00	439,096.32	439,096.32	0.00
1910 -- Net OPEB Obligation-long term	25,247.92	0.00	10,040.88	35,288.80
1930 -- Compensated Absences-long term	13,340.00	0.00	16,985.00	30,325.00
1950 -- Litigation & Ins. Claim Liab	3,339,000.00	0.00	277,000.00	3,616,000.00
Total Liabilities	5,996,232.33	9,463,650.11	9,878,596.56	6,411,178.78
Equity				
2350 -- Retained Earnings-Unreserved	3,582,322.92	19,745,819.71	18,773,124.33	2,609,627.54

Balance Sheet

As of: 6/30/2011
Accounting Period: CLOSED

Selection Criteria: Fund = 1912

Layout Options: Summarized By = Fund; Page Break At = Fund

Fund 1912 -- County Liability-Self Insuranc

	Beginning Balance 7/1/2010	Year-To-Date Debits	Year-To-Date Credits	Ending Balance 6/30/2011
Total Equity	3,582,322.92	19,745,819.71	18,773,124.33	2,609,627.54
Total Liabilities, Equity & Other Credits	9,578,555.25	29,209,469.82	28,651,720.89	9,020,806.32

Actuarial Review of the Self-Insured General Liability Program

*Outstanding Liabilities as of June 30, 2011 and June 30, 2012
Forecast for Fiscal Years 2011-12 and 2012-13*

Presented to

Santa Barbara County

October 2011



Bickmore Risk Services
Reducing Cost of Risk



Bickmore Risk Services

October 21, 2011

Mr. Ray Aromatorio
Risk Manager
County of Santa Barbara
130 E. Victoria Street
Santa Barbara, CA 93101

Re: Actuarial Review of the Self-Insured Liability Program

Dear Mr. Aromatorio:

As you requested, we have completed our review of Santa Barbara County's self-insured liability program. Assuming an SIR of \$500,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2011-12 and 2012-13 program years to be \$2,826,000 and \$2,885,000, respectively. These amounts include allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the County's claims, assuming a 1% return on investments per year. For budgeting purposes, the expected costs of 2011-12 and 2012-13 claims translate to rates of \$0.93 and \$0.95 per \$100 payroll, respectively.

In addition, we estimate the program's liability for outstanding claims to be \$7,112,000 and \$6,726,000 as of June 30, 2011 and June 30, 2012, respectively, again including ALAE and ULAE, and discounted for anticipated investment income. Given estimated program assets of \$9,021,000 as of June 30, 2011, the program was funded between the 80% and 85% confidence levels.

The \$7,112,000 estimate is the minimum liability to be booked by the County at June 30, 2011 for its liability program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the County to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

www.BRSrisk.com
800.541.4591
t. 916.244.1199

CORPORATE
1750 Creekside Oaks Drive
Suite 200
Sacramento, CA 95833
d. 916.244.1100

3780 Kilroy Airport Way
Suite 870
Long Beach, CA 90806
d. 562.508.4400

5200 SW Macadam Avenue
Suite 310
Portland, OR 97239
d. 503.419.0450

Our conclusions regarding the County's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2011 are summarized in the table below.

Santa Barbara County
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2011

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$6,896,000					
ULAE	339,000					
Investment Income Offset	(123,000)					
Discounted Loss and LAE	\$7,112,000	\$7,916,000	\$8,264,000	\$8,677,000	\$9,189,000	\$9,871,000
Available Funding	9,021,000					
Surplus or (Deficit)	\$1,909,000	\$1,105,000	\$757,000	\$344,000	(\$168,000)	(\$850,000)

Our conclusions regarding the County's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2012 are summarized in the table below.

Santa Barbara County
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2012

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$6,499,000					
ULAE	346,000					
Investment Income Offset	(119,000)					
Discounted Loss and LAE	\$6,726,000	\$7,486,000	\$7,816,000	\$8,206,000	\$8,690,000	\$9,336,000
Available Funding	8,199,000					
Surplus or (Deficit)	\$1,473,000	\$713,000	\$383,000	(\$7,000)	(\$491,000)	(\$1,137,000)

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the County's financial statements.

Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding

to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.

Furthermore, the CSAC Excess Insurance Authority standard states that based upon the actuarial recommendations, the member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

The table below shows our funding recommendations for Santa Barbara County for the 2011-12 fiscal year.

Santa Barbara County Self-Insured Liability Program Loss and LAE Funding Guidelines for 2011-12 Self-Insured Retention (SIR) of \$500,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,586,000					
ULAE	309,000					
Investment Income Offset	(69,000)					
Discounted Loss and LAE	\$2,826,000	\$3,315,000	\$3,549,000	\$3,826,000	\$4,174,000	\$4,637,000
Non-claims Related Expenses	3,060,000	3,060,000	3,060,000	3,060,000	3,060,000	3,060,000
Indicated Funding	\$5,886,000	\$6,375,000	\$6,609,000	\$6,886,000	\$7,234,000	\$7,697,000
Rate per \$100 of 2011-12 Payroll	\$1.94	\$2.10	\$2.18	\$2.27	\$2.38	\$2.54

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2011.

The table below shows our funding recommendations for Santa Barbara County for the 2012-13 fiscal year.

Santa Barbara County
Self-Insured Liability Program
Loss and LAE Funding Guidelines for 2012-13
Self-Insured Retention (SIR) of \$500,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,638,000					
ULAE	318,000					
Investment Income Offset	(71,000)					
Discounted Loss and LAE	\$2,885,000	\$3,384,000	\$3,624,000	\$3,906,000	\$4,261,000	\$4,734,000
Non-claims Related Expenses	3,532,000	3,532,000	3,532,000	3,532,000	3,532,000	3,532,000
(Surplus)/Deficit at 6/30/12	(1,473,000)	(713,000)	(383,000)	7,000	491,000	1,137,000
Indicated Funding	\$4,944,000	\$6,203,000	\$6,773,000	\$7,445,000	\$8,284,000	\$9,403,000
Rate per \$100 of 2012-13 Payroll	\$1.63	\$2.04	\$2.23	\$2.45	\$2.73	\$3.10

The funding recommendations shown in the table above includes recognition of the existing funding margin at June 30, 2012.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the County's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to Santa Barbara County in preparing this report. Please feel free to call Derek Burkhalter at (916) 244-1167 or John Alltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



Derek Burkhalter, ACAS, MAAA
Manager, Property and Casualty Insurance Services, BRS
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries



John Alltop, FCAS, MAAA
Managing Director, Actuarial and Risk Financing, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Budget Revision Request

BJE **0001958**

Budget Journal Entry #

Gov. Code Sec. 29125 & 29130

JE **0057733**

Related Journal Entry #

Subject / Title: Provide a *short description* for this budget revision request to increase/transfer/cancel appropriations. For example: "Establish (or increase) appropriation of \$xx,xxx funded by unanticipated revenue", or "Transfer appropriations of \$xx,xxx from (object level) to (object level)", or "Cancel (or decrease) appropriation of \$xx,xxx due to unrealized revenue".

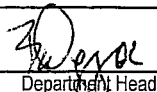


General Services/Risk Management: Decrease the County Medical Malpractice-Self Insurance Funds' liability by \$137,000 per actuary report dated 10/13/2011.

Justification: For all changes: explain what the change is for and why it is needed. Attach additional justification, board letters or spreadsheet, if appropriate. **When moving Appropriation:** explain why it's available. **When Revenue is adjusted:** explain the reason for the increase or decrease. **For adjustments to General Fund Contingency:** explain why no other alternative funding source is available.

This budget revision request decreases the outstanding County Medical Malpractice -Self Insurance Funds' liability by \$137,000 per projections provided in the Bickmore Actuarial Report dated 10/13/2011.

Financial Summary

	Department / Fund or Capital Project 063 / 1910	Department / Fund or Capital Project /	Department / Fund or Capital Project /	Department / Fund or Capital Project /
Increase or (Decrease) in Appropriation for / Uses:				
Salaries & Benefits	00	00	00	00
Services & Supplies	(137,000) 00	00	00	00
Other Charges	00	00	00	00
Fixed Assets	00	00	00	00
Other Financing Uses	00	00	00	00
Intrafund Transfers	00	00	00	00
Fund Balance Components	00	00	00	00
Sources:				
Revenue	00	00	00	00
Other Financing Sources	00	00	00	00
Intrafund Transfers	00	00	00	00
Fund Balance Components	00	00	00	00
Effect on Contingency / RE	137,000 00	00	00	00

Departmental Authorization	Auditor-Controller	CEO's Recommendation	Board of Supervisor's Action
 Department Head Date: 1/3/12	Budget Journal Entry and Related Journal Entry if applicable Approved as to Accounting Form.  Auditor-Controller	<input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove Date: 1.5.12 Transfer/Revision in Accordance with Board Policy dated 8/3/93.  County Executive Officer	<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved Date Agenda Item Clerk of the Board of Supervisors

Budget Journal Entry

Document Number: BJE - 0001958
 Document Description: Med Mal Actuarial inc \$137k per Bickmore 10/13/11
 Post On: _____
 Batch ID: 1411208
 Created On: 1/3/2012 10:50:41 AM
 Processed On: _____
 Created By: Brian Duggan
 Processed By: _____

References

Audit Trail: je0057733

Accounting

Fund	Dept	GL Acct	LI Acct	Debit Amount	Credit Amount	Prog	OUnit	Proj	Budget Period	Description
1910	063	2530	7089	137,000.00		2100			201201	Actuarial liability adjustment for Med Mal
1910	063	2530	9600		137,000.00	2100			201201	Actuarial liability adjustment for Med Mal
Total				137,000.00	137,000.00					

Signatures

Signed By	Signed On	Department/Agency
Julie Hagen	1/3/2012 2:35:14 PM	061 - Auditor-Controller (NO LONGER VALID)
Stephen Williams	1/3/2012 2:45:47 PM	061 - Auditor-Controller
Brian Duggan	1/3/2012 2:50:40 PM	063 - General Services

Journal Entry

Document Number: JE - 0057733
 Document Description: Record Med Mal change in actuarial liability per Bickmore 10/13/11
 Post On: _____
 Batch ID: 1409500
 Created On: 12/21/2011 5:04:40 PM
 Processed On: _____
 Created By: Brian Duggan
 Processed By: _____

References

Audit Trail: bje0001958 Cash Type: _____

Accounting

Fund	Dept	GL Acct	LI Acct	Debit Amount	Credit Amount	Prog	Unit	Proj	Act	Area	Equip	Depositor	Description
1910		1230		65,000.00									Med Mal S/T Actuarial adjustment
1910		1950		72,000.00									Med Mal LT Actuarial adjustment
1910		2350			137,000.00								Med Mal LT Actuarial adjustment
1910	063	2810	7089		137,000.00	2100							Med Mal Actuarial adjustment per 10/13/11 Bickmore
1910	063	2810	9600	137,000.00		2100							Med Mal Actuarial adjustment per 10/13/11 Bickmore
				Total	274,000.00	274,000.00							

Signatures

Signed By: _____ Signed On: _____ Department/Agency: _____
 Brian Duggan 1/3/2012 2:52:17 PM 063 - General Services

County of Santa Barbara - Medical Malpractice

Short- and Long-Term Liabilities

<u>Liabilities as of 6/30/11:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$304,737	\$303,225
	ULAE:	20,000	19,901
	Short-Term Loss and LAE:	<u>\$324,737</u>	<u>\$323,126</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$241,292	\$236,741
	ULAE:	20,165	19,818
	Long-Term Loss and LAE:	<u>\$261,457</u>	<u>\$256,559</u>
<u>Total Liability</u>	Loss and ALAE:	\$546,029	\$539,966
	ULAE:	40,165	39,719
	Total Loss and LAE:	<u>\$586,194</u>	<u>\$579,685</u>

BS 6/30/11

<u>Liabilities as of 6/30/12:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$238,188	\$237,006
	ULAE:	23,625	23,508
	Short-Term Loss and LAE:	<u>\$261,813</u>	<u>\$260,514</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$236,141	\$231,625
	ULAE:	27,649	27,150
	Long-Term Loss and LAE:	<u>\$263,790</u>	<u>\$258,775</u>
<u>Total Liability</u>	Loss and ALAE:	\$474,329	\$468,631
	ULAE:	51,274	50,658
	Total Loss and LAE:	<u>\$525,603</u>	<u>\$519,289</u>

*GL 1200
65,000 DS
GL 1150
72,000 DS
CR
GL 2810 132,000
709*

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 6/30/11:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$366,599	\$406,625	\$453,018	\$510,631	\$587,650
	ULAE:	24,060	26,687	29,732	33,513	38,568
	Short-Term Loss and LAE:	<u>\$390,659</u>	<u>\$433,312</u>	<u>\$482,750</u>	<u>\$544,144</u>	<u>\$626,218</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$286,220	\$317,469	\$353,691	\$398,672	\$458,804
	ULAE:	23,960	26,577	29,608	33,374	38,408
	Long-Term Loss and LAE:	<u>\$310,180</u>	<u>\$344,046</u>	<u>\$383,299</u>	<u>\$432,046</u>	<u>\$497,212</u>
<u>Total Liability</u>	Loss and ALAE:	\$652,819	\$724,094	\$806,709	\$909,303	\$1,046,454
	ULAE:	48,020	53,264	59,340	66,887	76,976
	Total Loss and LAE:	<u>\$700,839</u>	<u>\$777,358</u>	<u>\$866,049</u>	<u>\$976,190</u>	<u>\$1,123,430</u>
<u>Liabilities as of 6/30/12:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$286,540	\$317,825	\$354,087	\$399,118	\$459,318
	ULAE:	28,421	31,524	35,121	39,587	45,559
	Short-Term Loss and LAE:	<u>\$314,961</u>	<u>\$349,349</u>	<u>\$389,208</u>	<u>\$438,705</u>	<u>\$504,877</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$280,035	\$310,609	\$346,048	\$390,057	\$448,889
	ULAE:	32,824	36,409	40,562	45,721	52,616
	Long-Term Loss and LAE:	<u>\$312,859</u>	<u>\$347,018</u>	<u>\$386,610</u>	<u>\$435,778</u>	<u>\$501,505</u>
<u>Total Liability</u>	Loss and ALAE:	\$566,575	\$628,434	\$700,135	\$789,175	\$908,207
	ULAE:	61,245	67,933	75,683	85,308	98,175
	Total Loss and LAE:	<u>\$627,820</u>	<u>\$696,367</u>	<u>\$775,818</u>	<u>\$874,483</u>	<u>\$1,006,382</u>

Note: Current (short term) liabilities are the portion of the total estimated liability shown on Appendix G that is expected to be paid out within the coming year. Totals may vary from Exhibit 1, due to rounding.

Balance Sheet

As of: 6/30/2011
Accounting Period: CLOSED

Selection Criteria: Fund = 1910
Layout Options: Summarized By = Fund; Page Break At = Fund

Fund 1910 -- Medical Malpractice Self Ins

	Beginning Balance 7/1/2010	Year-To-Date Debits	Year-To-Date Credits	Ending Balance 6/30/2011
Assets & Other Debits				
Assets				
0110 -- Cash in Treasury	2,112,422.93	215,979.38	735,303.33	1,593,098.98
0115 -- Treasury FMV Adjustment	12,192.17	4,526.70	13,414.84	3,304.03
0240 -- Interest Receivable	5,178.06	15,380.69	17,412.40	3,146.35
Total Assets	2,129,793.16	235,886.77	766,130.57	1,599,549.36
Total Assets & Other Debits	2,129,793.16	235,886.77	766,130.57	1,599,549.36
Liabilities, Equity & Other Credits				
Liabilities				
1010 -- Warrants Payable	0.00	103,477.72	103,477.72	0.00
1015 -- EFT Payable	5,265.00	10,549.99	5,284.99	0.00
1210 -- Accounts Payable	0.00	108,762.71	108,762.71	0.00
1230 -- Claims Payable	209,004.00	0.00	116,996.00	326,000.00
1730 -- Unidentified Deposits	0.00	33,494.98	33,494.98	0.00
1950 -- Litigation & Ins. Claim Liab	215,876.00	0.00	115,124.00	331,000.00
Total Liabilities	430,145.00	256,285.40	483,140.40	657,000.00
Equity				
2350 -- Retained Earnings-Unreserved	1,699,648.16	4,911,101.17	4,154,002.37	942,549.36
Total Equity	1,699,648.16	4,911,101.17	4,154,002.37	942,549.36
Total Liabilities, Equity & Other Credits	2,129,793.16	5,167,386.57	4,637,142.77	1,599,549.36

Actuarial Review of the Self-Insured Medical Malpractice Program

*Outstanding Liabilities as of June 30, 2011 and June 30, 2012
Forecast for Fiscal Years 2011-12 and 2012-13*

Presented to

Santa Barbara County

October 2011



Bickmore Risk Services
Reducing Cost of Risk



Bickmore Risk Services

October 13, 2011

Mr. Ray Aromatorio
Risk Manager
County of Santa Barbara
130 E. Victoria Street
Santa Barbara, CA 93101

Re: Actuarial Review of the Self-Insured Medical Malpractice Program

Dear Mr. Aromatorio:

As you requested, we have completed our review of Santa Barbara County's self-insured medical malpractice program. Assuming an SIR of \$500,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2011-12 and 2012-13 program years to be \$274,000 and \$281,000, respectively. These amounts include allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the County's claims, assuming a 1% return on investments per year. For budgeting purposes, the expected costs of 2011-12 and 2012-13 claims translate to rates of \$0.47 and \$0.48 per \$100 payroll, respectively.

In addition, we estimate the program's liability for outstanding claims to be \$579,000 and \$519,000 as of June 30, 2011 and June 30, 2012, respectively, again including ALAE and ULAE, and discounted for anticipated investment income. Given estimated program assets of \$1,737,000 as of June 30, 2011, the program was funded above the 90% confidence level (see Graph 1a on Page 9.)

The \$579,000 estimate is the minimum liability to be booked by the County at June 30, 2011 for its medical malpractice program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the County to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

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Our conclusions regarding the County's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2011 are summarized in the table below.

Santa Barbara County
Self-Insured Medical Malpractice Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2011

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$546,000					
ULAE	40,000					
Investment Income Offset	(7,000)					
Discounted Loss and LAE	\$579,000	\$700,000	\$776,000	\$865,000	\$975,000	\$1,122,000
Available Funding	1,737,000					
Surplus or (Deficit)	\$1,158,000	\$1,037,000	\$961,000	\$872,000	\$762,000	\$615,000

Our conclusions regarding the County's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2012 are summarized in the table below.

Santa Barbara County
Self-Insured Medical Malpractice Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2012

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$474,000					
ULAE	51,000					
Investment Income Offset	(6,000)					
Discounted Loss and LAE	\$519,000	\$627,000	\$696,000	\$775,000	\$874,000	\$1,006,000
Available Funding	1,288,000					
Surplus or (Deficit)	\$769,000	\$661,000	\$592,000	\$513,000	\$414,000	\$282,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the County's financial statements.

Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding

to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.

Furthermore, the CSAC Excess Insurance Authority standard states that based upon the actuarial recommendations, the member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

The table below shows our funding recommendations for Santa Barbara County for the 2011-12 fiscal year.

Santa Barbara County Self-Insured Medical Malpractice Program Loss and LAE Funding Guidelines for 2011-12 Self-Insured Retention (SIR) of \$500,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$243,000					
ULAE	36,000					
Investment Income Offset	(5,000)					
Discounted Loss and LAE	\$274,000	\$318,000	\$374,000	\$444,000	\$533,000	\$646,000
Non-claims Related Expenses	289,000	289,000	289,000	289,000	289,000	289,000
Indicated Funding	\$563,000	\$607,000	\$663,000	\$733,000	\$822,000	\$935,000
Rate per \$100 of 2011-12 Payroll	\$0.97	\$1.05	\$1.14	\$1.26	\$1.42	\$1.61

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2011.

The table below shows our funding recommendations for Santa Barbara County for the 2012-13 fiscal year.

Santa Barbara County
 Self-Insured Medical Malpractice Program
 Loss and LAE Funding Guidelines for 2012-13
 Self-Insured Retention (SIR) of \$500,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$248,000					
ULAE	38,000					
Investment Income Offset	(5,000)					
Discounted Loss and LAE	\$281,000	\$326,000	\$384,000	\$456,000	\$546,000	\$663,000
Non-claims Related Expenses	289,000	289,000	289,000	289,000	289,000	289,000
Indicated Funding	\$570,000	\$615,000	\$673,000	\$745,000	\$835,000	\$952,000
Rate per \$100 of 2012-13 Payroll	\$0.98	\$1.06	\$1.16	\$1.28	\$1.44	\$1.64

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the County's internal use. It is not intended for general circulation.

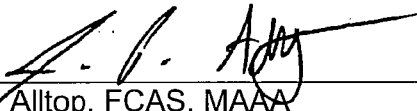
We appreciate the opportunity to be of service to Santa Barbara County in preparing this report. Please feel free to call Derek Burkhalter at (916) 244-1167 or John Alltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



Derek Burkhalter, ACAS, MAAA
Manager, Property and Casualty Actuarial Services, BRS
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries



John Alltop, FCAS, MAAA
Managing Director, Actuarial and Risk Financing, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries