

CITY OF OAKLAND

AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2010 APR 29 PM 7:56

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency
DATE: May 11, 2010

RE: **Report and Resolution Authorizing the Appropriation and Expenditure of Insurance Claim Recoveries for the Repair or Replacement of Damaged City Assets**

SUMMARY

This Report and the accompanying Resolution authorizes the City Administrator to appropriate and expend insurance claim recoveries that the City of Oakland receives for the repair or replacement of damaged City assets.

FISCAL IMPACTS

This report sets forth the process for the expenditure of insurance claim recoveries received by the City of Oakland. No new costs are introduced within this report. Insurance claim recoveries have not been budgeted by Risk Management Division. The proposed use of the funds is to offset the cost of repairs or replacement of existing damaged assets, such as vehicles or buildings.

BACKGROUND

The City routinely receives insurance claim recoveries due to damage to City assets. The sources of these recoveries are third-party insurance claims (where the damage is due to the actions of a third party), or from a City-purchased insurance policy.

The process for receiving and expending insurance claim recoveries is contained in Oakland Charter Section 806, which provides that all monies received by the City shall be deposited in the City Treasury, and no monies shall be disbursed from the Treasury without the approval of the City Administrator or of another officer duly authorized by the City Administrator. Section 806 further provides that no expenditure of City funds shall be made except for the purposes and in the manner specified by an appropriation of Council.

KEY ISSUES AND IMPACTS

The City receives monies for damage recovery from its insurers through property insurance policies, and from the individuals or their insurers who are found to be at fault for causing damage to City property. Most often these recoveries are related to facilities damage or vehicle/equipment damage.

Item: _____
Finance and Management Committee
May 11, 2010

As noted above, this Report and the accompanying Resolution will authorize the City Administrator to appropriate and expend insurance claim recoveries that the City of Oakland receives for the repair or replacement of damaged City assets in accordance with the level of authority granted within the Oakland Municipal Code. For appropriation of monies for expenditures in excess of the City Administrator's authority, the department responsible for the damaged asset shall obtain the necessary Council authorization to appropriate and expend any recoveries in excess of these limits.

Depending on the type of damaged asset, any monies received for recovery will be handled as follows:

Vehicles -- Vehicle insurance claim recoveries can include recoveries for vehicles, as well as the radios and computers that are installed in them. Upon receipt of insurance claim recoveries, the Risk Management Division (RMD) will deposit the monies in the Radio/Telecommunications Fund (4200) and/or Equipment Fund (4400), and RMD Org (08511), designated specifically to offset the cost of the damaged vehicle and equipment. Upon confirmation from the Equipment Division (regarding the vehicle) and the Department of Information Technology (regarding any on-board radios, computers and other related equipment) that repairs have been performed or a replacement vehicle/equipment have been acquired, RMD will release the funds to offset the cost for documented expenditures. If the vehicle is replaced with a new vehicle, priority will be given to the payoff of the leased vehicle if the vehicle is covered through the City's financing lease. Any remaining recovery monies related to the totaled vehicle will then be made available toward the purchase of the replacement vehicle.

Property -- Upon receipt of insurance claim recoveries, RMD will deposit the monies in the Facilities Fund (4100) and RMD Org (08511), designated specifically for the damaged facility. Upon confirmation from the Facilities Division that repairs have been performed, RMD will release the funds to offset the cost for documented expenditures. In some instances, RMD will coordinate with the insurer on the use of their approved contractor for emergency mitigation services (usually involving fire or flood mitigation where immediate services are required to reduce the risk of mold growth or hazardous material contamination). In these cases, RMD will either authorize direct payment from the insurer to the contractor or, with approval of the City Administrator, pay invoices directly from the proceeds, using the monies deposited into the Facilities Fund.

In instances when the recovery is for damages that are appropriately placed in funds other than the Radio/Telecommunications Fund (4200), Equipment Fund (4400) or Facilities Fund (4100), RMD will confer with the Budget Office regarding the most appropriate fund to place the monies, obtain approval from the City Administrator and then follow the same process described above regarding appropriation of the funds.

Staff recommends that the funds for the repair or replacement of a City asset be appropriated and expended within twelve (12) months after they are received. Funds that are not appropriated and

expended within that time period will either be used to offset the negative balance of the Home Fund, or will revert to the General Purpose Fund Balance (Fund 1010).

Staff will prepare an Administrative Instruction to document the recommended guidelines regarding insurance claim recoveries. In addition, staff will prepare an annual informational report for Council regarding insurance recoveries received and appropriated.

SUSTAINABLE OPPORTUNITIES

There are no sustainable economic, environmental, or social equity opportunities associated with this report.

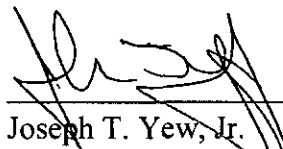
DISABILITY AND SENIOR CITIZEN ACCESS

There are no disability and senior citizen access issues relevant to this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that Council adopt the Resolution authorizing the City Administrator to appropriate and expend insurance claims recoveries for the repair or replacement of damaged City assets.

Respectfully submitted,

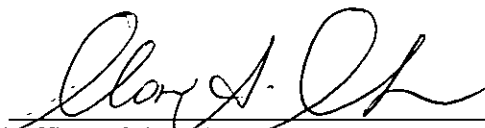


Joseph T. Yew, Jr.
Finance Director/City Treasurer

Prepared by
Deborah Grant, Risk Manager
Risk Management Division

Attachments: Resolution

APPROVED AND FORWARDED TO THE
FINANCE & MANAGEMENT COMMITTEE:



Office of the City Administrator

Item: _____
Finance and Management Committee
May 11, 2010

Karen Lee Boyd
City Attorney

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OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

**RESOLUTION AUTHORIZING THE APPROPRIATION
AND EXPENDITURE OF INSURANCE CLAIM
RECOVERIES FOR THE REPAIR OR REPLACEMENT
OF DAMAGED CITY ASSETS**

WHEREAS, the City of Oakland receives monies for damages to City assets, including vehicles, equipment, and buildings; and

WHEREAS, monies are received regularly from City-purchased insurance policies and from third-party claims for damage to City assets; and

WHEREAS, Oakland Charter Section 806 provides that all monies received by the City shall be deposited in the City Treasury, and no monies shall be disbursed from the treasury without the approval of the City Administrator or of another officer duly authorized by the City Administrator; and

WHEREAS, Oakland Charter Section 806 further provides that no expenditure of City funds shall be made except for the purposes and in the manner specified by an appropriation of the Council; now, therefore, be it

RESOLVED: That the Council authorizes the City Administrator to appropriate funds for the purpose of repairing and replacing damaged City assets, provided that the funds are properly supported by accounting evidence; and be it

FURTHER RESOLVED: That the City Administrator is authorized to expend monies received for damage to City assets for purposes of repairing and replacing damaged City assets; and be it

FURTHER RESOLVED: That an Administrative Instruction will be prepared to document the recommended guidelines regarding insurance claim recoveries; and be it

FURTHER RESOLVED: That the funds be expended to repair or replace the property within the twelve (12) month period after they are received; and be it

FURTHER RESOLVED: That staff will prepare an annual informational report for Council regarding insurance recoveries received and appropriated.

IN COUNCIL, OAKLAND, CALIFORNIA, _____.

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN,
REID, and PRESIDENT BRUNNER

NOES –

ABSENT –

ABSTENTION –

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California