

**CITY OF OAKLAND  
COUNCIL AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2005 JAN 27 PM 4:05

TO: Office of the City Administrator  
ATTN: Deborah Edgerly  
FROM: Finance & Management Agency  
DATE: February 8, 2005

RE: SUPPLEMENTAL REPORT AND RESOLUTION AUTHORIZING THE BUDGETARY APPROPRIATION OF MONIES FROM THE SELF-INSURANCE GENERAL LIABILITY FUND (FUND 1100) TO DEPARTMENTS FOR FY 2005-06 AND 2006-07 ALLOCATION OF GENERAL LIABILITY COSTS BASED ON IMPLEMENTATION OF THE "PHOENIX MODEL" OF RISK MANAGEMENT COST ALLOCATION

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**SUMMARY**

This supplemental report and resolution is submitted in conjunction with the original agenda report dated January 25, 2005 under the same title. The allocation amounts in the prior report assumed a loss cap of \$50,000 per occurrence would be applied, as is a common industry practice. The Phoenix Model is based on a "no loss cap" assumption. As a result, the allocation amounts for each department have been modified to reflect a "no loss cap", while the City-wide projected loss amount remains the same. The findings in the attached tables should be used by the Budget Office in establishing the fund amounts within each department.

**FISCAL IMPACTS**

The total General Liability payout is projected to be \$10,612,110 for Fiscal Year 2005-06 and \$11,287,215 for Fiscal Year 2006-07. The projected loss amounts reported below reflect a "no loss cap" applied to each loss. This will make each department fully responsible for payment of general liability losses, instead of limiting their losses to \$50,000 per occurrence, as is consistent with the Phoenix Model of general liability cost allocation. The following amounts should be allocated to each department:

Department	Allocated Percent of Projected Loss	2005-06 Projected Loss / Proposed Budget	2006-07 Projected Loss / Proposed Budget
Fire Department	7.49%	\$794,868	\$845,435
Parks and Recreation	2.25%	\$238,710	\$253,896
Police Services Agency	35.14%	\$3,728,837	\$3,966,053
Public Works Agency	39.99%	\$4,243,989	\$4,513,977
Other Departments	15.13%	\$1,605,705	\$1,707,854
<b>Total</b>	<b>100.00%</b>	<b>\$10,612,110</b>	<b>\$11,287,215</b>

Note that the figures reported for FY 2006-07 will be modified based on next year's report findings. As such, mid-cycle adjustments may be necessary.

Item # \_\_\_\_\_  
Finance and Management Committee  
February 8, 2005

## **BACKGROUND**

The original agenda report scheduled for January 25, 2005 assumed a loss cap of \$50,000 was to be applied to each paid loss at the department level. It was determined that the actual method utilized by the City of Phoenix did not assume this loss cap. This supplemental report reflects a “no loss cap” assumption in the projection of losses to be incurred by each department. The total City-wide projected loss does not change based on this assumption, only the allocation of funds between departments is impacted.

## **KEY ISSUES AND IMPACTS**

None.

## **SUSTAINABLE OPPORTUNITIES**

None.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

None.

## **RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the City Council approve and adopt the attached resolution authorizing the budgetary appropriation of monies from the Self Insurance General Liability Fund (FUND 1100) to departments for the FY 2005-06 and FY 2006-07 allocation of general liability costs based on the implementation of the “PHOENIX MODEL” of Risk Management Cost Allocation. This information is also reflected in Exhibits LI-27 and LI-28 following this report as amended to reflect the “no loss cap” formulation.

## **ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council approve and adopt the attached resolution authorizing the budgetary appropriation of monies from the Self Insurance General Liability Fund (FUND 1100) to departments for the FY 2005-06 and FY 2006-07 allocation of general liability costs based on the implementation of the “PHOENIX MODEL” of Risk Management Cost Allocation as amended to reflect the “no loss cap” formulation.

Respectfully submitted,



William Noland  
Director, Finance & Management Agency

Report prepared by:  
Deborah Cornwell  
Safety & Insurance Manager

Attachments (1)

APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

Cheryl A. P. Thompson  
OFFICE OF THE CITY ADMINISTRATOR

CITY OF OAKLAND  
LIABILITY

Historical Payroll and Percent Payroll

Dept Code (1)	Department (2)	1999/00		2000/01		2001/02		2002/03		2003/04		1999/00 to 2003/04	
		Percent Payroll (3)/Total(3)	Payroll (4)	Percent Payroll (5)/Total(5)	Payroll (6)	Percent Payroll (7)/Total(7)	Payroll (8)	Percent Payroll (9)/Total(9)	Payroll (10)	Percent Payroll (11)/Total(11)	Payroll (12)	Percent Payroll (13)/Total(13)	Payroll (14)
DP200	Fire Department	20.42%	\$54,454,223	19.93%	\$56,673,419	19.99%	\$60,180,191	19.70%	\$59,453,316	19.34%	\$285,330,788	19.86%	
DP5000	Parks and Recreation	3.22%	9,279,622	3.39%	8,859,455	3.02%	9,015,141	2.95%	9,286,147	3.02%	44,727,558	3.11%	
DP1000	Police Services Agency	33.62%	\$1,836,762	33.56%	101,241,846	34.49%	104,363,851	34.16%	104,008,924	33.83%	488,371,909	33.98%	
DP300	Public Works	14.67%	39,331,208	14.37%	40,751,311	13.88%	44,363,244	14.52%	45,343,421	14.75%	207,496,315	14.44%	
Misc	Other	27.86%	71,599,914	28.74%	83,993,018	28.62%	87,598,139	28.67%	89,314,027	29.05%	411,139,227	28.61%	
	Total	100.00%	\$256,973,403	100.00%	\$293,519,049	100.00%	\$305,540,566	100.00%	\$307,405,834	100.00%	\$1,437,066,796	100.00%	

ATTACHMENT A

(3), (5), (7), (9) and (11) were provided by the City Parks and Recreation was adjusted to reflect the movement of Parks Maintenance to Public Works

CITY OF OAKLAND  
LIABILITY

Exhibit LI-23

Calculation of Percent of Unlimited Reported Incurred Losses

Dept Code (1)	Department (2)	Reported Incurred Losses 6/30/04 (3)	Percent Reported Incurred Losses (3)/Total(3) (4)
<b>I. 1999/00</b>			
DP200	Fire Department	\$22,080	0.23%
DP5000	Parks and Recreation	103,498	1.09%
DP1000	Police Services Agency	5,960,722	62.98%
DP300	Public Works	2,789,731	29.48%
Misc.	Other	588,382	6.22%
<b>Total</b>		<b>\$9,464,414</b>	<b>100.00%</b>
<b>II. 2000/01</b>			
DP200	Fire Department	\$47,021	0.65%
DP5000	Parks and Recreation	82,312	1.13%
DP1000	Police Services Agency	4,952,086	67.97%
DP300	Public Works	1,601,301	21.98%
Misc.	Other	602,657	8.27%
<b>Total</b>		<b>\$7,285,377</b>	<b>100.00%</b>
<b>III. 2001/02</b>			
DP200	Fire Department	\$288,529	3.59%
DP5000	Parks and Recreation	123,820	1.54%
DP1000	Police Services Agency	2,670,634	33.27%
DP300	Public Works	3,886,346	48.41%
Misc.	Other	1,058,902	13.19%
<b>Total</b>		<b>\$8,028,232</b>	<b>100.00%</b>
<b>IV. 2002/03</b>			
DP200	Fire Department	\$315,248	4.60%
DP5000	Parks and Recreation	132,000	1.93%
DP1000	Police Services Agency	3,476,493	50.73%
DP300	Public Works	2,089,196	30.48%
Misc.	Other	840,297	12.26%
<b>Total</b>		<b>\$6,853,235</b>	<b>100.00%</b>
<b>V. 2003/04</b>			
DP200	Fire Department	\$73,804	1.51%
DP5000	Parks and Recreation	15,929	0.33%
DP1000	Police Services Agency	958,048	19.65%
DP300	Public Works	3,493,065	71.63%
Misc.	Other	335,796	6.89%
<b>Total</b>		<b>\$4,876,642</b>	<b>100.00%</b>

(3) was provided by the City. Parks Maintenance is included in Public Works

CITY OF OAKLAND  
LIABILITY

Exhibit LI-24

Calculation of Relative Loss Rate

Dept Code (1)	Department (2)	Percent Payroll (3)	Percent Reported Incurred Losses (4)	Relative Loss Rate (4)/(3) (5)
I 1999/00				
DP200	Fire Department	20.42%	0.23%	0.011
DP5000	Parks and Recreation	3.22%	1.09%	0.339
DP1000	Police Services Agency	33.82%	62.98%	1.862
DP300	Public Works	14.67%	29.48%	2.009
Misc.	Other	27.86%	6.22%	0.223
Total		100.00%	100.00%	1.000
II 2000/01				
DP200	Fire Department	19.93%	0.65%	0.032
DP5000	Parks and Recreation	3.39%	1.13%	0.333
DP1000	Police Services Agency	33.56%	67.97%	2.025
DP300	Public Works	14.37%	21.98%	1.529
Misc.	Other	28.74%	8.27%	0.288
Total		100.00%	100.00%	1.000
III 2001/02				
DP200	Fire Department	19.89%	3.59%	0.180
DP5000	Parks and Recreation	3.02%	1.54%	0.511
DP1000	Police Services Agency	34.49%	33.27%	0.964
DP300	Public Works	13.88%	48.41%	3.487
Misc.	Other	28.62%	13.19%	0.461
Total		100.00%	100.00%	1.000
IV 2002/03				
DP200	Fire Department	19.70%	4.60%	0.234
DP5000	Parks and Recreation	2.95%	1.93%	0.653
DP1000	Police Services Agency	34.16%	50.73%	1.485
DP300	Public Works	14.52%	30.48%	2.100
Misc.	Other	28.67%	12.26%	0.428
Total		100.00%	100.00%	1.000
V 2003/04				
DP200	Fire Department	19.34%	1.51%	0.078
DP5000	Parks and Recreation	3.02%	0.33%	0.108
DP1000	Police Services Agency	33.83%	19.65%	0.581
DP300	Public Works	14.75%	71.63%	4.856
Misc.	Other	29.05%	6.89%	0.237
Total		100.00%	100.00%	1.000

(3) is from Exhibit LI-22

(4) is from Exhibit LI-23

CITY OF OAKLAND  
LIABILITY

Exhibit LI-25

Calculation of Average Relative Loss Rate

Dept Code (1)	Department (2)	1999/00 Relative Loss Rate (3)	2000/01 Relative Loss Rate (4)	2001/02 Relative Loss Rate (5)	2002/03 Relative Loss Rate (6)	2003/04 Relative Loss Rate (7)	Average 1999/00 to 2003/04 Relative Loss Rate Average [(3) .(7)] (8)
DP200	Fire Department	0.011	0.032	0.180	0.234	0.078	0.107
DP5000	Parks and Recreation	0.339	0.333	0.511	0.653	0.108	0.389
DP1000	Police Services Agency	1.862	2.025	0.964	1.485	0.581	1.384
DP300	Public Works	2.009	1.529	3.487	2.100	4.856	2.796
Misc	Other	0.223	0.288	0.461	0.428	0.237	0.327
Total		1.000	1.000	1.000	1.000	1.000	1.000

(3) to (7) are from Exhibit LI-24

CITY OF OAKLAND  
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Exhibit LI-26

Calculation of Experience Modification Factors

Dept Code (1)	Department (2)	1999/00 to 2003/04 Percent Payroll (3)	Average 1999/00 to 2003/04 Relative Loss Rate (4)	Weight (3)/[(3)+ Max(3)] (5)	Experience Modification Factor [(4)X(5)]+ [1.000-(5)] (6)
DP200	Fire Department	19.86%	0.107	0.637	0.416
DP5000	Parks and Recreation	3.11%	0.389	0.216	0.837
DP1000	Police Services Agency	33.99%	1.384	0.750	1.241
DP300	Public Works	14.44%	2.796	0.560	1.934
Misc.	Other	28.61%	0.327	0.716	0.499
Total		100.00%	1.000		1.000

(3) is from Exhibit LI-22

(4) is from Exhibit LI-25

Weight is designed to give the largest member a weight of .750 and the rest proportionally smaller weights subject to a .100 minimum

(6) is subject to an off-balance factor



CITY OF OAKLAND  
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Exhibit LI-27

Calculation of 2005/06 Projected Premium

Dept Code (1)	Department (2)	Projected 2005/06 Payroll (3)	2005/06 Experience Modification Factor (4)	Experience Rated Projected 2005/06 Payroll (3)X(4) (5)	2005/06 Percent Funding (5)/Total(5) (6)	2005/06 Projected Loss Funds (6)XTotal(7) (7)
DP200	Fire Department	\$66,662,020	0.416	\$27,718,908	7.49%	\$794,868
DP5000	Parks and Recreation	9,947,913	0.837	8,324,372	2.25%	238,710
DP1000	Police Services Agency	104,784,691	1.241	130,033,269	35.14%	3,728,837
DP300	Public Works	76,535,645	1.934	147,997,815	39.99%	4,243,989
Misc	Other	112,138,785	0.499	55,994,689	15.13%	1,605,705
<b>Total</b>		<b>\$370,069,053</b>	<b>1.000</b>	<b>\$370,069,053</b>	<b>100.00%</b>	<b>\$10,612,110</b>

(3) was provided by the City.

(4) is from Exhibit LI-26.

Total (7) is from Exhibit LI-14.

CITY OF OAKLAND  
LIABILITY

Exhibit LI-28

Calculation of 2006/07 Projected Premium

Dept Code (1)	Department (2)	Projected 2006/07 Payroll (3)	2006/07 Experience Modification Factor (4)	Experience Rated Projected 2006/07 Payroll (3)X(4) (5)	2006/07 Percent Funding (5)/Total(5) (6)	2006/07 Projected Loss Funds (6)XTotal(7) (7)
DP200	Fire Department	\$68,661,880	0.416	\$28,550,476	7.49%	\$845,435
DP5000	Parks and Recreation	10,246,350	0.837	8,574,103	2.25%	253,896
DP1000	Police Services Agency	107,928,232	1.241	133,934,267	35.14%	3,966,053
DP300	Public Works	78,831,715	1.934	152,437,750	39.99%	4,513,977
Misc	Other	115,502,948	0.499	57,674,529	15.13%	1,707,854
<b>Total</b>		<b>\$381,171,125</b>	<b>1.000</b>	<b>\$381,171,125</b>	<b>100.00%</b>	<b>\$11,287,215</b>

(3) is based on payroll for 2005/06 plus a 3.0% trend

(4) is from Exhibit LI-26

Total (7) is from Exhibit LI-15

# OAKLAND CITY COUNCIL

*A. Fowler*

RESOLUTION No. \_\_\_\_\_ C. M. S.

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

2005 JAN 27 PM 5:09

## RESOLUTION AUTHORIZING THE BUDGETARY APPROPRIATION OF MONIES FROM THE SELF-INSURANCE GENERAL LIABILITY FUND (FUND 1100) TO DEPARTMENTS FOR FY 2005-06 AND 2006-07 ALLOCATION OF GENERAL LIABILITY COSTS BASED ON IMPLEMENTATION OF THE "PHOENIX MODEL" OF RISK MANAGEMENT COST ALLOCATION

WHEREAS, in 2004, the City Council adopted the Risk Management Cost Allocation Program (RMCAP) to monitor the liability claim and litigation payouts incurred by certain City agencies/departments; and

WHEREAS, the RMCAP is modeled after a program currently utilized by the City of Phoenix, Arizona; and

WHEREAS, the RMCAP budgeted appropriations for claims/litigation payouts in those agencies/departments based upon historical performance and future projections; and

WHEREAS, the Current Expenditure Baseline Budget for Fiscal Years 2005-07 reflects funding allocations established in FY 1999-2000, without significant modification; and

WHEREAS, the Current Expenditure Baseline Budget for Fiscal Years 2005-07 underfunds the projected loss in the amounts reflected below:

<b>Department</b>	<b>2005-06 Baseline</b>	<b>2006-07 Baseline</b>
Fire	\$114,444	\$114,444
Parks and Recreation	\$53,770	\$53,770
Police Services	\$1,431,299	\$1,431,299
Public Works	\$969,546	\$969,546
Other Departments	\$4,617,654	\$4,617,654
<b>Total:</b>	<b>\$7,186,713</b>	<b>\$7,186,713</b>

WHEREAS, actuarial analysis of claims/litigation payout performance for the past 5 fiscal years has recommended budgetary appropriations for the upcoming budget cycle as listed below:

<b>Department</b>	<b>2005-06 Projected Loss / Proposed Budget</b>	<b>2006-07 Projected Loss / Proposed Budget</b>
Fire Department	\$794,868	\$845,435
Parks and Recreation	\$238,710	\$253,896
Police Services Agency	\$3,728,837	\$3,966,053
Public Works Agency	\$4,243,989	\$4,513,977
Other Departments	\$1,605,705	\$1,707,854
<b>Total</b>	<b>\$10,612,110</b>	<b>\$11,287,215</b>

Now therefore, be it

**RESOLVED:** That funds be allocated from the self-insurance fund, non-departmental account to establish the actuarially recommended budget appropriations for claims/litigation payments for the departments/agencies and in the amounts listed above, for Fiscal Years 2005-06 and 2006-07.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-