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2013 JAN 10 PM 4:15

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Jim Reese

SUBJECT: Supplemental Report - Revolving
Owner Controlled Insurance Program
(OCIP) Staff Committee

DATE: January 10, 2013

City Administrator
Approval

Date

1/10/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept this supplemental report about Convening a "Rolling Owner Controlled Insurance Program (OCIP) Work Group."

REASON FOR SUPPLEMENTAL

Due to the timing of the report request, staff did not have sufficient time prior to the mandatory business shut down to respond to all elements of the Rules Committee request.

BACKGROUND/LEGISLATIVE HISTORY

The City of Oakland executed a Joint Powers Agreement (JPA) with California Public Entity Insurance Authority (CPEIA) in 2002 for participation in a variety of insurance programs. Signing authority was delegated to the City Manager (Administrator) on any Memorandum of Understanding with CPEIA for participation in the various programs (Resolution 77439 C.M.S., dated October 1, 2002). In 2006, CPEIA merged with the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), and program membership and participation continued under this entity via an amended JPA.

In 2011, the Council re-affirmed its delegation of authority to the City Administrator to act on behalf of the City of Oakland on matters related to CSAC-EIA and authorized the delegation of the authority from the City Administrator to the Risk Manager (Resolution 83274 C.M.S., dated March 15, 2011).

Among the major insurance programs available through CSAC-EIA was a Miscellaneous OCIP, for which eligible participation required public works projects greater than \$100 million in construction value. In August 2012, working with CSAC-EIA, the City began reviewing the

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feasibility of implementing an OCIP for the Oakland Army Base development project. In reviewing the fiscal impacts of a Contractor Controlled Insurance Program (CCIP) proposed by the project's General Contractor, it was determined that the City could reduce overall construction costs by 2 to 3% (approximately \$5 million to \$6 million) by participating in the CSAC-EIA Miscellaneous OCIP. Discussions are underway with the OAB development team regarding the implementation of the CSAC-EIA based OCIP.

Effective January 1, 2013, CSAC-EIA established a Master Rolling Owner Controlled Insurance Program (Rolling OCIP). The Rolling OCIP replaces its Miscellaneous OCIP. The Rolling OCIP will continue to provide benefits for very large projects, such as the OAB Development Project, however it also is structured to provide value for projects under \$100 million. Based on our existing participation in CSAC-EIA, the City has the option to participate in the "rolling OCIP" program for construction projects as small as \$1 million.

Government Code section 4420 (GC 4420) requires that OCIPs for public works projects meet certain conditions. The task undertaken by the staff working group will consider the feasibility of implementing a Citywide Rolling OCIP including evaluating the CSAC-EIA Rolling OCIP as well as other types of OCIPs from a Citywide perspective. The working group will research best practices for OCIPs; including surveying other public entities within the State regarding their existing OCIPs and their individual design processes.

Some of the public entities that will be surveyed include the Port of Oakland, Alameda County, City/County of San Francisco and other comparable agencies with recently designed or modified OCIPs. For instance, The Port of Oakland established an OCIP in 1999. Working with their Insurance Broker, AON Risk Services, the Port utilizes their OCIP for all capital improvement projects regardless of size. The program is administered by AON Risk Services and provides coverages for General Liability, Workers' Compensation, Excess Liability and Builder Risk/Course of Construction. It is expected that the working group will glean information from the Port regarding the challenges, advantages and disadvantages of OCIPs and the methods used to develop the OCIP model implemented by the Port. Similar inquiries will be made to other public entities that have already gone through the OCIP development/implementation process.

The working group will provide findings including a Rolling OCIP Implementation Plan. The Plan will discuss the following elements: (a) General Policy; (b) Compliance with GC 4420; (c) Feasibility Analysis; (d) Bid/Request For Proposal (RFP) and Contract Language; (e) Insurance Program Design; (f) Safety and Loss Control; (g) Administration; (h) Claims Management and Adjudication; and (i) Funding Sources.

An issue raised by the working group during a recent meeting was acknowledgment that small, local contractors frequently have greater difficulty securing the bonds necessary to participate in City construction projects than they do in securing insurance. In addition to exploring the feasibility of an OCIP, the working group will also research feasibility of developing or

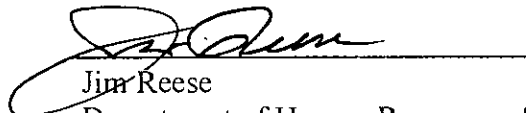
participating in a Bonding Assistance Program. The program intent would be to help small local contractors obtain bid, payment and performance bonds and/or increase their bonding capacity for work on City of Oakland contracts.

COORDINATION

A staff committee convened on January 8, 2013, with representatives from the following departments/divisions: City Administrator's Office, Risk Management, Controller, Public Works, Community and Economic Development, Contract Compliance and City Attorney's Office. A representative from CSAC-EIA/Alliant Insurance Services will be available for consultation during the development of the Rolling OCIP Implementation Plan. Final composition of the Implementation Plan will be provided upon its completion.

For questions regarding this report, please contact Deborah Grant, Risk Manager, at (510) 238-7165.

Respectfully submitted,



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Technology
Interim Director

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