



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

FROM: City Administrator

SUBJECT: UPDATE ON RECOVERED COSTS FROM THE PUBLIC WORKS AND DEVELOPMENT SERVICES DEPARTMENT FOR FY 2017-18

MEETING DATE: August 6, 2018

RECOMMENDATION:

Staff recommends that the City Council receive and file the following Public Works and Development Services Department report/update on recovered costs for FY 2017-18.

ANALYSIS:

In January of this year, Public Works and Development Services Department (PWDS) reported that they had recovered a total of \$33,149.26 from damages to City property. Since that time, the department has recovered another \$3,271.83, bringing the total to \$36,421.09 in recovered costs for FY 2017-18.

The cost recovery on damage to City properties is a Risk Management function currently under the Human Resources Department. At the time, due to changes with the department and personnel turnover, no one had been assigned to handle this function.

The City had the option to hire a third party administrator (TPA) to recover these costs for the City. As part of this arrangement, the TPA either charges a specific fee amount, or a percentage of the amount recovered. Since PWDS has staff who handled this function for a previous City, staff agreed to handle it for the City for the time being.

Recovering the cost on damage to City property involves coordination with different personnel, both internally and externally. It involves coordinating with the Sheriff's department for the police report and working with PWDS Operations Division for the repairs and labor and materials costs. It also involves working with Finance Department for invoicing the individual or the insurance company. Lastly, it may at times require the City Attorney to review or sign off on the release form from the insurance company.

The total amount of \$36,421.09 recovered represent eleven claims with a total damage of \$40,769.09. The amount collected represents an 89% recovery rate. It includes shared cost on the installation of a fence, fire, signal inspection and installation, traffic signal replacement, and City tree replacement. Of the eleven claims, the City was able to collect

from five individuals or their insurance. The remaining six claims which the City was not able to collect was due to the involved party being unknown. For example, the party had fled the scene and/or the damage was discovered after the fact. Therefore, no information was available on who caused the damage.

FISCAL IMPACT:

The cost to repair or replace damages to City properties are unplanned expenses and cannot be forecasted for budget planning. They are absorbed in PWDS Operations' operating budget at the time of repair or replacement and may impact funding available to provide normal operating services.

Damage to City property, such as replacement of traffic signals for instance, are paid from the PWDS Operations account, account number 10-5140-56010. If the cost was recovered in the same fiscal year as when the damage occurred, the amount recovered can be deposited back to the PWDS Operations account to be used for other maintenance and repairs. If the incident took place in the previous fiscal year, and the reimbursement was received in the new fiscal year, the recovered amount is deposited to the City's revenue account, account number 10-7100-39600.

In addition, the amount billed to the party or his/her insurance is a straight cost. It only includes the labor and materials cost and does not include administrative cost or personnel time in administering and processing the claim for subrogation. In order to account for personnel cost associated in the performance of this function, an administrative fee is being proposed to be included in the Development Fee which will be presented to the City Council in the near future.

Actively pursuing the damage to City property claims enables the City to recuperate some of its costs in repairing or replacing damages caused by others in the City.

RELATIONSHIP TO STRATEGIC GOALS:

This item is related to a specific 2016 Strategic Goal to "Implement city business processes and operational efficiencies to streamline the cost of government including the examination and identification of cost of services and cost of recovery policies."

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Reviewed by: Vilko Domic, Finance Director

Approved as to form: Norma Copado, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator