

## Executive Summary: Public-Private Partnerships

Citizens engaging the challenges faced by their City are essential to its livability. In fact, effectively including the private sector in the provision of public goods and services expands the resource base available for production; gives the City access to specialized resources; offers opportunities for cost advantages and efficiencies; and helps government be more responsive. More importantly, **citizen participation** stimulates discourse, connects citizens to one another, informs the electorate about challenges facing the community, builds trust, expands our intellectual horizons and “allows democratic societies to function effectively.”

Despite these rewards, there are **real obstacles** to public-private partnerships. A true partnership requires the sharing of responsibility and authority. So it is understandable that, unless the perceived benefits to partnerships are expected to substantially outweigh the costs, those charged with the responsibilities of governing are going to be reticent to embrace such partnerships. City government has a long institutional history. Without vigilance, city government can begin to make decision as “the Corporation” and ask, “What is in its best interests?” instead of “What is in the best interest of the community?” The City also has to manage its risks.<sup>1</sup> Again, without consideration of the community’s best interests, well-intentioned risk management policies can stand in the way of public-private partnerships. Lastly, successful public-private partnerships require organizational capacity on the part of both private sector organizations and the City.

To foster an environment in which PPPs will flourish, first, the City must develop a **transparent set of rules** for working with City government so to (1) minimize uncertainty; (2) maximize effectiveness of private and public resources; and (3) cultivate a climate of constant improvement. Second, the City must **market its commitment** to be a “good partner.” Third, the City must also **work cooperatively with citizens** and local associations to (1) organize volunteer activities, (2) support others who leverage our volunteers and (3) regularly honor the efforts of those who endeavor to enrich our community. In short, the City must develop a straightforward approach to partnerships, market it and implement it.

The following are a few “simple” suggestions that would help to distinguish Oakland as a desirable public partner:

- With input from the private sector, develop a **workable template** for joint management of infrastructure projects (e.g., park renovations or library improvements) that lays out how the best talents of both the City and its partner are utilized to get the “biggest bang for the buck” in every project;

---

<sup>1</sup> See Appendix A for a fuller discussion of effective community risk management.

- Offer private donors **100% effectiveness** for every dollar they bring to a public investment or service project—no hidden taxes or City fees on the private dollars in a project;
- Establish, in the Mayor’s or City Manager’s Office, a **public-private partnership coordinator** who will provide a liaison between City government and any organization bringing \$500,000 or more of private resources over a period of time (e.g., three years) to “fast track” projects that have Council approval; and
- Develop a **feedback system** with all private organizations that augment City resources (1) to continuously monitor how the City is perceived, (2) to determine how we can improve our relationships, and (3) to target where the City should invest to attract more organizations.

# Public-Private Partnerships: An Essential Element of a Livable City

Donald W. Walls, Friends of Oakland Parks and Recreation<sup>2</sup>

“Scholars are beginning to document the central role that formal and informal nonprofit organizations play in creating the glue that holds communities together and the avenues they provide for civic participation. **Voluntary associations** are identified as **central to prosperous and successful democracies**. They help to build the networks of **trust and reciprocity**, the social capital that allows democratic societies to function effectively. Cooperative activities may bring together people with divergent opinions who learn to work together on issues of mutual interest or for the common good. Citizens participate in democratic governance by joining together to accomplish public purposes, voice their concerns to government, and monitor the impact of business, government, and nonprofit activities on the public. Voluntary entities exert a **profound cumulative effect on the quality of life** and play a variety of roles in most countries where they are permitted to operate.”<sup>3</sup>

Citizens engaging the challenges faced by their City are essential to its livability. While we collectively face the current fiscal stress in California, this fact is made even clearer. Where else can we stretch the limited resources available to our schools than with active volunteers to coach our sports, staff our libraries, provide after-school instruction or organize a fundraising bake-sale or festival? When there are not enough funds to refurbish a park, buy books for the library, provide needed social services, our volunteer organizations reach out to private donors to fill the funding gap. When the City Council needs professional advice on its budget process, it turns to its citizen Budget Advisory Committee (BAC). When medians need cleanup, neighborhood associations pitch in. These are but a few examples of the range of activities that encompasses the spirit of **public-private partnership**.

In fact, the range of public-private partnerships (PPP)<sup>4</sup> can be quite broad. In some cases, like school volunteers or park stewards, the partnership can be relatively “loose” and unstructured. While, in the case of the Community Development Corporation (CDC), the relationship is such that the CDC becomes a quasi-governmental entity helping to coordinate the many governmental programs to revitalize our urban core. An important element of all of these

---

<sup>2</sup> Dr. Walls is a Board member and past-President of Friends. However, the views expressed in this paper are those of the author and are not endorsed by the organization itself.

<sup>3</sup> Excerpts from Elizabeth T. Boris, “Nonprofit Organizations in a Democracy: Varied Roles and Responsibilities,” in Nonprofits & Government: Collaboration and Conflict, edited by Elizabeth T. Boris and C. Eugene Steuerle (Urban Institute, 1999). Emphasis added.

<sup>4</sup> For convenience of exposition, we will use “PPP” as shorthand for “public-private partnerships”.

“voluntary associations” is the **willingness to collaborate** with government to achieve a shared goal. Concomitantly, to effectively enable public-private partnerships, City government must develop a process by which it **encourages citizen participation**. The City must view citizen volunteers and the private sector as **partners** in the pursuit of common goals and cultivate policies that advance those partnerships.

### ***Advantages of Private Sector Involvement in the Public Sector***

The most obvious advantage of including the private sector in the provision of public goods and services is that it potentially **expands the resource base** available for production. **Volunteers** expand our recreation programs, increase safety at crosswalks, enrich our senior centers, improve our health care, augment our educational opportunities and complement our stretched park maintenance. **Donors** supplement tax dollars by matching public monies with private donations. Often, the combination of **dollars leveraging volunteers** allows City government to maintain services it would otherwise be unable to provide (e.g., Children’s Fairyland or the Oakland Zoo).

The second advantage of private sector involvement is that the private sector may have **specialized resources** that are unavailable or expensive to sustain within City government. Artist to restore public frescos, lawyers with expertise in real estate development, landscape designers with expertise in park design, scientists with particular environmental know-how or accounting and management consultants are all examples. When needed, City government could simply procure such services or they could be made available—free of charge or at reduced rates—by residents of the community who possess such skills. The advantage to City government is not only that it may be **cheaper**. Using local citizens has the potential of eliciting greater dedication and **focus** from those working in and for their own community. Using local citizens may also create more **continuity** over time in the provision of services, advice and counsel to the City.

The third advantage of using the private sector is that specialization (and/or scale) may bring with it **cost advantages and efficiencies** with which the public sector could not compete. For instance, many organizations outsource information technology (IT), personnel and accounting because there are economies of scale and specialized resources that allow firms in those areas to be more efficient than an IT division within a single company or a City government. Outsourcing also provides **standards** by which public sector production can be judged.<sup>5</sup>

A potential fourth advantage is that private sector organizations often can react more quickly to changing demands and be **more responsive** to the needs of

---

<sup>5</sup> One important challenge facing the public sector is its ability to benchmark its activity. Unlike the private sector, there is no “profit” measure and few objective measures of “public output.” So determining whether City government is appropriately organized, efficiently producing, and effectively spending tax dollars is problematic.

particular projects or constituencies. By its nature, government needs consensus and thrives on coordinating decisions and extensive review. Decision-making is rarely delegated and often, in the face of changing circumstances, getting to a decision can be time-consuming. Public-private partnership often allow for more decentralized decision-making and can speed up responses.

Fifth, by their nature, public-private partnerships require ***citizen participation***. Many researchers have found that participation, in and of itself, is an advantage. It stimulates discourse, connects citizens to one another, informs the electorate about challenges facing the community, builds trust, expands our intellectual horizons and “allows democratic societies to function effectively.”<sup>6</sup>

Lastly, a high level of citizen participation and effective PPP can also have the ***secondary effect of increasing private sector resources*** available to the community. Foundations crave success. They want their contributions to be effective and to get the “biggest bang for the buck.” If Oakland had the reputation among the nonprofit foundation community as a “great city to partner with,” then more funds would be targeted to projects in Oakland. With such a reputation, Oakland would also find it easier to attract State and Federal grants. Nothing attracts attention and new partners like success. Successful partnerships also encourage citizen participation, so a virtuous cycle is nurtured.

### ***Obstacles to Effective Public-Private Partnerships***

With all of these advantages to successful public-private partnerships, why are there not more of them in our City? There are a number of obstacles to city governments embracing such partnerships. First, and perhaps the foremost, is that “partnership,” by its very nature, requires the ***sharing of responsibility and authority***. Our city agencies are tasked with providing social services, education, parks and recreation, crime prevention, libraries, medical care, city infrastructure, transportation and utilities. It is understandable that, unless the benefits to partnerships are expected to substantially outweigh the costs, those charged with these responsibilities are going to be reticent to embrace such partnerships.

In this context, the challenge for our City is a subset of the “public good problem.”<sup>7</sup> Simply put, ***benefits of PPPs may not be “captured” by the responsible agency***. The quality of services might be better, but “public output” is often poorly measured and not always defined as an agency goal. The City’s citizens may be enriched by their participation, but rarely do City departments get credit for such outcomes. While PPP may also expand the overall resources available for production, the responsible department’s actual costs may—due to

---

<sup>6</sup> See Elizabeth T. Boris, “Nonprofit Organizations in a Democracy: Varied Roles and Responsibilities,” in Nonprofits & Government: Collaboration and Conflict, edited by Elizabeth T. Boris and C. Eugene Steuerle (Urban Institute, 1999).

<sup>7</sup> See David Hyman, Public Finance: A Contemporary Application of Theory to Policy, Fort Worth: The Dryden Press, 1999, pp 108-9, for a discussion of corrective subsidies as a means to internalize positive externalities.

increased management and coordination—actually increase. So the decision to avoid PPPs is a logical one for a city agency whose objective is to minimize its costs, subject to meeting a set of goals that do not include the benefits discussed in the previous section. In addition, agencies with little experience dealing with PPPs may incur **startup costs** before they achieve the full benefits of such partnerships. Thus, **leadership is required** to internalize the benefits of PPP and to account for the budget impacts of fostering such partnerships.

Second, without positive and persistent action by the community, City government can begin to operate as **“the Corporation” with its own self-serving goals**. City government has a long institutional history. Its employees develop lifetime careers. The enormous amount of resources controlled by city government invariably generates a culture of power sharing among city management, labor and the community the government institutions were meant to serve. For instance, during times of fiscal stress, each department develops its own “survival budget”: how can labor and management minimize layoffs? Likewise, if career “success” is measured by the size of ones budget or staff, then motivated career employees are likely to strive to protect or expand their fiefdoms. With budget constraints, choices easily evolve into a competition between different branches of “the Corporation.” While this competition may serve for-profit entities quite well,<sup>8</sup> it can generate perverse outcomes in City government where the measure of public benefit is problematical.<sup>9</sup>

The point is these are not actions motivated by pernicious government workers or career bureaucrats that do not care about the “public good.” Rather, they are the natural result of the organization of public production that fails to explicitly recognize the important role (and benefits) of real community involvement in the provision of public goods and services.

Third, in a society that has become much more litigious, **risk management** has emerged as an important concern of City government. The implementation of a risk management process can have the **unintended affect of limiting community participation**. Cracked sidewalks, maintenance lapses, police misconduct, poorly provided services or faulty public infrastructure all introduce potential liabilities that increase the cost of public services. When the City decides to offer any public service, it must budget the “full cost” of that service to include lifetime capital, maintenance, and operating costs. Included in these costs are the inherent liabilities associated with any activity. For instance, tot lots in our parks are valuable elements of what make our City livable; but they include some inherent risks (kids can fall, the structures can break, or poor maintenance can cause other injuries). The most advantageous government behavior would incorporate (1) effective risk management and (2) proper inclusion of risk in the full cost of providing public services. As Appendix A points out, it would rarely be

---

<sup>8</sup> There are many examples in organizational management research where internal competition is just as ineffective for private sector firms.

<sup>9</sup> This is one explanation for the oft-mentioned criticism that government rarely cancels a program or eliminates an agency it creates.

in the City's interest to require that citizens protect the government against any and all additional liability. This approach would undoubtedly **reduce the level of participation** below the optimum. By requiring volunteer organizations, for instance, to have 100% liability insurance or to self-insure all risk exposure, the City is holding private sector participants to a higher standard than the peer government agencies.<sup>10</sup> It increases the cost of participation and discourages the very partnerships that we should be trying to encourage.

Fourth, successful public-private partnerships require **organizational capacity** on the part of both private sector organizations and the City. The private sector must understand and adapt to the constraints facing City agencies, be aware of the legal requirements that working with the public sector might bring, and be mindful of the political process that shapes many City decisions. At the same time, City government needs to be able to develop more streamline decision-making to take advantage of smaller organizations' ability to respond quickly to opportunities and obstacles.

### ***What Can Oakland Do to Become a Model of Cooperation?***

In a perfect world, **City government should enable its citizens to succeed**. The City should *enable* the least advantaged to learn about her possibilities and achieve them; should *enable* City businesses to prosper; should *enable* neighbors to create safe neighborhoods; should *enable* willing volunteers to make a difference in their community; and should *enable* all of us to accomplish as much as our potential allows. But, in most cases, government cannot accomplish this alone.

Recognizing both the advantages of and the obstacles to effective public-private partnerships, how can Oakland distinguish itself as a leader in working with the private sector? How can we create an environment in which government is **not just another competitor** for scarce resources, but **a partner** in making our community a better place to live? How can we attract those organizations and individuals interested in working with city governments to come to Oakland?

To foster an environment in which PPPs will flourish, first, the City must develop a transparent set of rules for working with City government so to (1) **minimize uncertainty**; (2) **maximize effectiveness** of private and public resources; and (3) cultivate a climate of **constant improvement**. This requires that Oakland's public sector develop straightforward and simple ways for the private sector to partner with City government. Second, the City must **market its commitment** to be a "good partner." Letting foundations and private sector organizations know that Oakland will match their interest with public resources and opportunities for success sends a clear message that Oakland is the place for innovative public-private partnerships.

---

<sup>10</sup> If statistics were available, this author believes that non-profit and volunteer organizations actually have a much lower liability experience rating than their government counterparts in the provision of services on public property.

Third, the City must also work cooperatively with citizens and local associations to (1) organize volunteer activities, (2) support others who leverage our volunteers and (3) regularly honor the efforts of those who endeavor to enrich our community. In short, the City must develop a straightforward approach to PPP, market it and implement it.

### ***Next Steps***

This working paper is meant to objectively discuss a range of issues surrounding efforts to implement effective public-private partnerships in Oakland. It is not designed to lay out a roadmap for success or a “how to” guide. Nonetheless, in the short-term we need to take steps to foster a progressive climate that will facilitate the emergence of first-rate PPPs in the City.

The following are a few “simple” suggestions that would help to distinguish Oakland as a desirable public partner:

- With input from the private sector, develop a *workable template* for joint management of infrastructure projects (e.g., park renovations or library improvements) that lays out how the best talents of both the City and its partner are utilized to get the “biggest bang for the buck” in every project;
- Offer private donors *100% effectiveness* for every dollar they bring to a public investment or service project—no hidden taxes or City fees on the private dollars in a project;
- Establish, in the Mayor’s or City Manager’s Office, a *public-private partnership coordinator* who will provide a liaison between City government and any organization bringing \$500,000 or more of private resources over a period of time (e.g., three years) to “fast track” projects that have Council approval; and
- Develop a *feedback system* with all private organizations that augment City resources (1) to continuously monitor how the City is perceived, (2) to determine how we can improve our relationships, and (3) to target where the City should invest to attract more organizations.

Most of all, we need public discussion and interaction with elected leaders to stimulate interest in establishing the prerequisites for a City more open to public-private partnerships. The Measure DD Community Coalition is one forum for such discussions.

## Appendix A

### Community Risk Management: How Should We Include Non-profit Organizations?

by Donald W. Walls

Friends of Oakland Parks and Recreation

It is incumbent upon any City to manage its risk environment so that, for any given level of desired services, it *minimizes the liability costs* faced by its citizens. While this is a complex area and different strategies exist for attempting to reach this goal, there are a number of concepts upon which we should all be able to agree.

- First, in minimizing costs associated with the risks attributable to a City's providing services to its constituents, government should focus on the *total cost of liability* faced by the City. Thus, it is insufficient to simply lower Oakland government's budgetary costs. For instance, what if Oakland could—by mandate—substantially reduce its liability costs by requiring that every citizen accept the full responsibility for any accident that takes place on City property? This would surely reduce the budgetary cost of insurance and/or liability for the City. But its impact on the total cost of liability borne by Oakland residents (government + personal costs) is less clear. Thus, since government has many alternatives with which to manage its risk exposure, it must be cognizant of the total cost of liability that results from our decision to offer a range of services to the community.
- Second, our community is better off if its citizens actively participate in *public-private partnerships* that enrich the lives of all our citizens. Even when we fail to agree upon the exact value of the outcomes of such efforts, the *participation itself* enriches our community by bringing us together, developing a common sense of purpose and shared community experiences. Consequently, even if government alone could provide specific services (at the desired level of quality), we are often better off as a community if citizens actively participate in the provision of those services.
- Third, the appropriate standard for judging the risk exposure for public-private partnerships is the *average risk exposure* of the City Department which, in lieu of private provision, would offer the service (or be responsible for the infrastructure investment). With every service provided to its citizens—whether it is sidewalks, transportation, social services, recreation, or education—there is an exposure to liability for accident, malfeasance and/or failure to deliver promised services. If, through a public-private partnership, private entities offer services on public property, they will undoubtedly be exposed to this same risk. Their performance should be judged relative to that of the next best method of delivery (usually City government itself).

So, recognizing that risk is inherent in providing services in a community environment, what can we do to minimize its impact? First, the City can attempt to *spread the risk*

across many jurisdictions by purchasing liability insurance from insurance carriers capable of pooling risk. Second, it can institute *policies and practices* that reduce the City's exposure to risk (e.g., an aggressive sidewalk maintenance program, background checks for all new staff hires, or periodic program safety reviews). Third, the City can *re-consider offering services* that involve high levels of liability risk.<sup>11</sup>

In order to decide what blend of these three activities to undertake, Oakland, first, must have clear *historical evidence* as to what generates liability for the City. What is the average exposure, by agency or activity? Has it been improving or regressing? What controllable factors impact it? Secondly, the City must have ways to get those who provide community services or make community investments to be *responsive to perceived risk*. The second challenge raises a well known phenomenon of the "moral hazard." Simply put, if I know that I will not be held responsible for the outcome of a risky action (e.g., not fixing my broken sidewalk), then I am more likely to engage in that risky action. Similarly, if I know that, because of insurance, I will not have to pay for my doctor's visit, I will be more inclined to visit the doctor. *The key to effective risk management, then, is to combine insurance and program policies/practices in such a way that participants have the correct incentives to minimize risk.*

Another fact is crucial to the discussion. The insurance industry has historically charged significant premiums to cover small (less than \$5M) claims for municipalities. The practical reality is that these small claims risks are more difficult to assess and, often, are harder for the insurance carrier to administer. As a consequence, many cities—like Oakland—have chosen to *self-insure* for smaller amounts of liability risk. When an Oakland non-profit organization agrees to undertake a public-private partnership with the City, it becomes subject to the same risks that City government would face if it was solely providing the services or investing in infrastructure. One significant difference for most non-profits, however, is that they do not have the resources to self-insure.

In light of this reality, Oakland faces a number of options to manage the risk associated with public-private partnerships. (1) The City can view an important aspect of its public-private partnership responsibility is to *provide complete liability insurance* to those private sector partners providing services or investing in infrastructure on City property. (2) Alternatively, Oakland could require that private sector *partners maintain their own liability insurance*. Since most non-profits find it difficult to obtain liability insurance at favorable rates, the City's shifting the insurance burden to them would normally increase the overall cost of risk associated with community programs. (3) The City could rate the past liability performance of their private sector partners and provide umbrella *insurance coverage for fees* ranging from zero to full market rates, depending upon organizations' liability history relative to their peer agencies. (4) The City could require *participation in liability reduction programs* as a prerequisite for providing services or creating infrastructure on City property.

In choosing among these options, the City must make an important distinction between public-private partnerships (e.g., Fairyland or the Trust for Public Land's Bella Vista

---

<sup>11</sup> These three broad categories need not encompass all possible strategies and are met to begin the discussion about enlightened risk management.

Park project) and organizations (whether they are non-profit or not) that take advantage of City facilities (parks, buildings, etc.) to offer activities that the City would not otherwise provide. In other words, while Oakland might wish to provide an environment where “a thousand flowers bloom” (and, thus, offer wide access to public facilities); it should not necessarily indemnify those activities. Consequently, an “activity fee” for the use of City facilities that accounts for their riskiness would be appropriate. In some cases—for large complex events—requiring liability insurance might also be proper. In the final analysis, it is a policy decision and the crucial question is *how supportive does the community wish to be towards alternative activities that are not within the normal purview of City government?* Oakland has a history of embracing a wide range of such activities. To continue to make that possible, it could provide low-cost insurance for most events and determine an “activity fee” that reflected that provision.<sup>12</sup>

But how should the City treat organizations which are true private partners with the City? Operationally, how do they assure that together they are minimizing risks for endeavors they are jointly undertaken? It should be noted that simply requiring that the non-profit have liability insurance will most likely increase the total cost to the community as a whole. The cost of insurance, assuming it is even available,<sup>13</sup> will either require **increased fees** for services or **greater donations** to support the non-profit’s activities.

The approach of requiring organizations to have liability insurance is also asymmetric: on the one hand, if a City agency undertakes the desired activity, the City accepts a certain amount of inherent risk; but, if a non-profit partner undertakes the same activity for the City, it would be expected to reduce the community’s risk to zero.<sup>14</sup> Another outcome is also possible: organizations will simply be unable to partner with the City, leaving Oakland to provide the service or investment itself. In the latter case, the City also loses the inherent benefit of public-private partnerships that shape the community we live in. Many volunteer activities—teaching swimming, constructing a neighborhood park bench, organizing junior sports, educating our children about their environment—are accomplished by organizations with no more resources than the enthusiasm of their participants and the generosity of neighborhood donations. Adopting blanket risk management policies that fail to account for these worthwhile partnerships will most likely leave the City worse off.

Does this conundrum mean that the City—if it wants to foster a spirit of community activism—should simply ignore the risks it faces in embracing public-private partnerships? Of course not! At minimum, the “contribution” of the City’s liability coverage

---

<sup>12</sup> Obviously, the insurance portion of the “activity fee” could be waived if the organization demonstrated that it had the appropriate level of liability coverage.

<sup>13</sup> The experience of Friends of Oakland Parks and Recreation (Friends) here is informative. Getting insurance for a one-day community build of the Rockridge Greenbelt Park tot lot cost \$2,500 and resulted in the organization’s carrier canceling its general liability insurance. After an exhaustive 90-day search and a more than doubling of its annual premium, Friends replaced their insurance. But what the organization found was that, despite never having a claim against it in its 20+ year history, most insurance carriers found it difficult to rate non-profit activities and offer acceptable coverage.

<sup>14</sup> The key underlying assumption here is that the community, usually through its elected officials, has collectively made a decision that it wishes the activity (or investment) to be provided.

should be made explicit in any public-private partnership. Without clearly identifying the costs of indemnifying an organization’s activities, (1) the community cannot make an informed choice about whether it should continue to demand the attendant services; (2) the partner cannot explore ways to obtain insurance coverage at lower costs; and (3) neither the City nor the private partner can fully appreciate the value of risk reduction efforts.

If Oakland decides to be the insurer of last resort for its private partners,<sup>15</sup> then it must include those partners in its efforts to reduce risk. In a perfect world, where risks could be rated and insurance were readily available at competitive rates, premiums would be set such that organizations would have incentives to lower their risk exposure. And when they did, their premiums would go down. But, alas, the world is not perfect. So the City and its partners must work together to reduce risks. For many organizations, this means complying with City safety programs and participating in efforts to eliminate identified risk factors. In some cases, the City may wish to institute a fee/reward program for reducing risks. If the non-profit has an experience rating that is better than their peer agency, then the City might consider an award grant. If, alternatively, the organization performs worse than its peer agency, it would be assessed an annual fee until its performance improved.<sup>16</sup>

What if, as a result of its activities, a non-profit organization encounters a liability on City property? What should the City do? First, it should be recognized that risk is inherent in any activity. City agencies also incur liability. So, liability experience should be judged *relative to a standard* to which all participants in the provision of community services are held. Second, organizations that incur liabilities that are covered by the City *must be held accountable*. For instance, a single instance should at least trigger a safety (or program) review to determine if the private organization is operating properly. Subsequent infractions, within a given period of time, could result in probation and/or increased fees for operation (to cover implied insurance costs). Third, repeated infractions should result in City review to determine (1) if there are alternative provision mechanisms and (2) whether the cost-benefit analysis warrants cancellation of the program activity.

Lastly, the only effective risk management system is one that actively involves the participants and continues to provide them incentives to focus on risk reduction. This is equally true for City agencies as well as private partners. If it does not already have such a group, the City should consider establishing a Risk Management Committee made up of

<sup>15</sup> As the insurer of last resort, Oakland may still wish to have a sliding scale of “insurance premiums.” For instance, organizations could be grouped into risk categories and their liability experience rated relative to their peer City agency:

Insurance Premiums, by Risk Type and Experience			
↓ Experience/Risk →	Low Risk	Medium Risk	High Risk
Below-Average Liability	Zero Fee	Zero Fee	Minimal Fee
Average Liability	Moderate Fee	Average Fee	Higher Fee
Above-Average Liability	Higher Fee	Higher Fee	Highest Fee

<sup>16</sup> Oakland has in place a similar system for major departments that should receive budget credits or penalties for liability performance relative to an established standard.

the primary agencies, non-profit City partners, the City Attorney and experts from the community to recommend approaches to further reduce the City's exposure to liability.