



# City of Santa Clara

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## Agenda Report

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19-946

Agenda Date: 10/29/2019

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### REPORT TO COUNCIL

#### **SUBJECT**

Action on Amendment No. 1 to the Agreement with Gallagher Benefit Services, Inc. to Facilitate Administration of the HealthInvest Health Reimbursement Arrangement in Support of the City's Voluntary Employee Beneficiary Association

#### **BACKGROUND**

On September 4, 2001, the City Council approved a resolution authorizing the establishment of a Voluntary Employees' Beneficiary Association (VEBA) as a mechanism to create a post-retirement Health Reimbursement Arrangement (HRA) as a benefit to City employees. The HRA is an employer funded account that employees may utilize post-retirement to pay for qualified medical expenses. Establishment of the VEBA required the execution of several service agreements to support the plan.

The service agreements included the administrative service agreement with A. W. Rehn & Associates, Inc. (Rehn), the trust agreement with Washington Trust Bank, and the benefits consulting agreement with the VEBA Service Group, LLC. On September 1, 2013, Gallagher Benefit Services, Inc. (Gallagher) replaced the VEBA Service Group, LLC as the benefit consultant. Effective January 11, 2019, Gallagher was selected to replace Rehn as the administrative services provider and the transfer of service from Rehn to Gallagher was effective May 1, 2019. Exigent circumstances resulted in the term of the service agreement with Gallagher only running through December 31, 2019.

#### **DISCUSSION**

Staff is proposing an amendment to the term of the service agreement with Gallagher in order to stabilize the administration of our HRA VEBA benefit program. The amendment will extend the current one-year agreement through June 30, 2023. There will be no rate increases in the amended period being proposed, which creates cost stability along with service continuity. The nature of the services provided to support an HRA VEBA are such that constant change in service providers creates a lack of efficiency and also in the effective service to employee beneficiaries and fund management oversight. The current service agreement with Gallagher was processed in an expedient manner to facilitate a quick transfer in administration services. Gallagher's long relationship with the City, improvement of cost and service efficiencies, and the quality of their proprietary VEBA product support the decision to extend this agreement.

The current agreement has a not-to-exceed compensation amount of \$30,000 and terminates on December 31, 2019. This amendment will increase the compensation amount by \$105,000 (\$30,000/year for three and one-half additional years), for a revised total not-to-exceed amount of \$135,000, subject to budget appropriations.

**ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Furthermore, the action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

**FISCAL IMPACT**

Amendment No. 1 does not include any rate increases; therefore, the City will continue to be billed a flat monthly fee of \$2,500. The revised total not-to-exceed contract cost will be \$135,000, subject to budget appropriations. Funds are available in the Human Resources Department Contractual Services account in FY 2019/20 and FY 2020/21. Appropriations in future years will be incorporated as part of the budget development process.

**COORDINATION**

This report has been coordinated with the City Attorney’s Office.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Authorize the City Manager to execute Amendment No. 1 to the Agreement with Gallagher Benefit Services, Inc. to extend the term of the agreement through June 30, 2023 and increase the total not-to-exceed amount to \$135,000.

Reviewed by: Teresia Zadroga-Haase, Director of Human Resources

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Amendment No. 1 with Gallagher Benefit Services, Inc.
2. Professional Services Agreement with Gallagher Benefit Services