



Agenda Report

21-1104

Agenda Date: 8/24/2021

REPORT TO COUNCIL AND STADIUM AUTHORITY BOARD

SUBJECT

Action on Agreement with Carl Warren & Company for General Liability Claims Adjusting and Administrative Services

COUNCIL PILLAR

Deliver and enhance high quality efficient services and infrastructure.

BACKGROUND

In August 2014, the City Council authorized the City Manager to execute an agreement with George Hills Company to administer, receive, investigate, and process claims filed against the City. George Hills has been performing these services for over 30 years.

In August 2019, the City Council authorized Amendment 1 to extend the term of the George Hills Agreement by two years ending on August 18, 2021. The two-year extension period provided sufficient time for the Risk Manager to assess and update the scope of work associated with general liability claims administration services. While the City has been pleased with George Hills' performance, the statement of work is outdated, and the services have not been competitively bid since at least 2014. Therefore, staff determined that it was in the best interest of the City as well as a prudent business practice to conduct a competitive bidding process.

The Amendment also identified the Stadium Authority as an affiliated entity and authorized George Hills Company to administer and invoice Stadium Authority claims separately and distinctly in compliance with Measure J.

DISCUSSION

Pursuant to City Code Section 2.105.330, a competitive Statement of Qualifications was conducted by the City with the award recommendation based on "best value".

In June 2021, a Statement of Qualifications (SOQ) was advertised on the City's bid notification system for a general liability claims administration vendor. Three firms responded to the SOQ: Carl Warren & Company, George Hills Company and Sedgwick.

Proposals were evaluated by a three-member evaluation team with expertise in claims administration including representation from the City Manager's Office, the City Attorney's Office, and Public Risk Innovations, Solutions and Management (PRISM), the City's excess insurance pool administrator.

The evaluation process included two phases. Phase 1 consisted of the evaluation of the written proposals. Scoring was based on Proposal Responsiveness (10% weight), Qualifications and Experience of Firm (30%), Qualifications and Experience of Team (30%) and Project Approach

(30%). Overall scores for Phase 1 were within 10% between the three firms and the evaluation team agreed to advance all three firms to Phase 2 of the process.

Phase 2 scoring consisted of an Oral Presentation (70% weight) and Cost Proposal (30%), with the final award recommendation based on the Phase 2 scores.

Carl Warren and George Hills received identical overall scores for their Oral Presentations, with both scoring higher than Sedgwick, making cost the deciding factor between those two firms.

The City's SOQ required all-inclusive fixed pricing for the processing of up to and including 125 open claims. Carl Warren's proposed price was \$114,640 annually versus \$143,000 for George Hills, a difference of \$28,360 annually. The City has averaged 86 open claims over the past five years.

Pricing under the existing George Hills contract is an outdated variable time and materials model based on hours worked. As described above, the new pricing model is firm fixed. Payments to George Hills have averaged approximately \$163,000 per year over the past 6 years, therefore cost savings are estimated to be \$48,360 for the first year, and \$145,080 over the initial three-year term of the Agreement.

References were checked with the City of Sunnyvale's City Attorney and Risk Manager. Sunnyvale recently transitioned their TPA services from George Hills to Carl Warren.

The proposed agreement includes a detailed scope of work and price schedule which includes invoicing requirements. The initial term of the Agreement is three years, with two one-year options to extend the term. (five years total if both options are exercised) The annual firm fixed price of \$114,640 is all inclusive and there are no additional non-recurring costs to transition services from George Hills to Carl Warren. The Agreement also identifies the Santa Clara Stadium Authority as a party to the Agreement.

Maximum compensation for the initial three-year term is \$342,000. After the initial term, the vendor may request annual price adjustments, which are subject to approval by the City Manager, who is authorized to exercise two one-year options to extend the term of the Agreement.

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

FISCAL IMPACT

Funding is provided in the FY 2021/22 & 2022/23 Biennial Operating Budget, Special Liability Fund, which accounts for general liability claims administration. Funding for the third year of the contract is subject to future Council appropriations.

COORDINATION

This report has been coordinated with the City Manager's Office and 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>> .

RECOMMENDATION

1. Authorize the City Manager to execute an agreement with Carl Warren & Company for Liability Claims Adjusting and Administrative Services for an initial three-year term ending on or about August 18, 2024, and maximum compensation not to exceed \$342,000 for up to 125 open claims, subject to the appropriation of funds;
2. Authorize the City Manager to compensate Carl Warren & Company a fixed price of \$850 dollars per month for each open claim more than 125, subject to the appropriation of funds;
3. Authorize the City Manager to exercise two one-year options to extend the term of the Agreement, subject to the appropriation of funds; and
4. Authorize the Stadium Authority Executive Director to execute the Agreement with Carl Warren & Company, for Liability Claims Adjusting and Administrative Services.

Reviewed by: Greg Bych, Risk Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Agreement with Carl Warren & Company