



City of Arts & Innovation

City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 20, 2017**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: FIRST AMENDMENT TO PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH CARL WARREN & COMPANY FOR LIABILITY CLAIMS ADMINISTRATION SERVICES – EXTENDING THE CONTRACT FOR SIX MONTHS TO DECEMBER 31, 2017, FOR A TOTAL SIX-MONTH COST OF \$102,792

ISSUE:

Approve the First Amendment to the Professional Consultant Services Agreement with Carl Warren & Company (Carl Warren), a California corporation, for liability claims administration services extending the contract through December 31, 2017, in the amount of \$102,792 for six months.

RECOMMENDATION:

That the City Council:

1. Approve the First Amendment to the Professional Services Agreement with Carl Warren, effective July 1, 2017, through December 31, 2017, for liability claims administration services for a total six-month cost of \$102,792, with the option to extend the Agreement an additional six months through June 30, 2018; and
2. Authorize the City Manager, or his designee, to execute the First Amendment of the Professional Services Agreement with Carl Warren, including making minor and non-substantive changes.

BACKGROUND:

Since 1971, the City has been self-insured for general liability losses. The Finance Department is responsible for the City's Risk Management function, which administers the City's general liability claims program. Risk Management administers claims through a contract with Carl Warren, a third party administrator (TPA). Carl Warren assists the Risk Management function with reviewing, adjusting and settling general liability claims filed against the City, in addition to statistical reporting and litigation management support. Carl Warren was initially selected via a Request for Proposal (RFP) process, which was presented to City Council on September 11, 2012. The current contract with Carl Warren expires on June 30, 2017.

Overall fees under the current five-year contract are \$979,032 for the period of September 26, 2012 through June 30, 2017. The cost breakdown is as follows:

Fiscal Year	Annual Fee	Monthly Payment
2012-13	\$192,000	\$16,000
2013-14	\$192,000	\$16,000
2014-15	\$195,840	\$16,320
2015-16	\$199,596	\$16,633
2016-17	\$199,596	\$16,633

The proposed fees for the six month period between July 1, 2017 and December 31, 2017 are \$102,792, which represents a three percent increase compared to the total fees incurred during the 2016/17 fiscal year.

DISCUSSION:

Although Carl Warren has provided competent TPA services to the City for a number of years, staff has determined that the City would be best served by transitioning the claim administration program “in-house”. This approach is in line with the City’s Riverside 2.0 Strategic Plan and would allow staff to more effectively manage the claims administration program, thereby increasing the customer service effort to claimants who utilize the process. The City recently launched RFP 1533 to seek proposals for a Risk Management Information System (RMIS), which would greatly enhance the ability for staff to administer claims in-house. This software system will effectively streamline the City’s general liability claims program by allowing staff the capability to perform many of the functions that are currently performed by our TPA, including but not limited to setting reserves, statistical reporting and claim management. Proposals for a RMIS are being reviewed at the moment and a selection and recommendation will be made to City Council in the coming months. The RMIS is not anticipated to be fully functional until late 2017.

Given the fact that a RMIS is yet to be selected and implemented, it is recommended that the agreement with Carl Warren be extended an additional six months. This will provide sufficient time to fully test and implement a RMIS and fill vacancies within the Risk Management Division prior to embarking on a transition for such an important service to the City. In addition, consideration was given to the potential disruption that would occur if the RMIS is not implemented in a timely manner, therefore staff is recommending a six month extension through December 31, 2017, with the option to extend the agreement an additional six months through June 30, 2018. Carl Warren is currently investigating and maintaining records on complex open claims. Therefore, continuity of service with the current caseload is a significant factor of this recommendation.

This limited extension of the contract will ensure future cost reductions and continued high-level service to the City’s claims administration program.

FISCAL IMPACT:

The cost associated with this contract extension is budgeted in the existing Risk Management Division budget, Account No. 2320200-428100, for FY 2017-18.

Prepared by: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer

Certified as to

availability of funds: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer

Approved by: Marianna Marysheva, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment:

1. First Amendment to Agreement with Carl Warren & Company
2. Presentation