



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 28, 2017

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FIRST AMENDMENT TO PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH HUB INTERNATIONAL INSURANCE SERVICES INC. FOR INSURANCE CONSULTING AND BROKERAGE SERVICES – EXTENDING THE CONTRACT FOR THREE YEARS TO JUNE 30, 2020, FOR A TOTAL THREE YEAR COST OF \$154,545

ISSUE:

Approve the First Amendment to the Professional Consultant Services Agreement with HUB International Insurance Services Inc. (HUB) of Riverside, California for insurance consulting and brokerage services extending the contract through June 30, 2020, in the amount of \$154,545 for three years.

RECOMMENDATION:

That the City Council:

1. Approve the First Amendment to the Professional Services Agreement with HUB, effective July 1, 2017, through June 30, 2020, for insurance consulting and brokerage services in lieu of commission for an annual service fee of \$50,000 with a 3% annual CPI increase for each successive year; and
2. Authorize the City Manager, or his designee, to execute the First Amendment of the Professional Services Agreement with HUB, including making minor and non-substantive changes.

BACKGROUND:

The City has used insurance brokers for many years to procure insurance policies because the insurance industry essentially prohibits individual agencies from going directly to underwriters for insurance policies. Since FY 1993-1994, the City has contracted with insurance brokerage firms whose compensation is on a fixed-fee basis rather than a commission basis. This is advantageous for the City since this completely eliminates conflict of interest issues with brokerage houses and collusion with brokers and individual insurance companies. Also, such an arrangement results in the City saving \$105,000-\$294,000 in Commission fees and only paying HUB's fixed annual fee of \$50,000 plus CPI. This arrangement has lowered the City's costs considerably.

DISCUSSION:

The last contract with HUB was approved on October 9, 2014, for a three year period. The Risk Management Division has been evaluating the firm and recommends an extended term on the contract for HUB to provide insurance brokerage services for the City due to their outstanding customer service, low cost and continued ability to secure coverage's at competitive premiums. While normally a five year term is awarded in contracts for such services, because of the complexity of the City in understanding the facilities and the City's programs as they relate to insurance needs, this shortened term contract will allow staff appropriate time to develop new insurance strategies to lower insurance costs with HUB and give staff time to prepare for the next Request for Proposal process before the end of fiscal year 2019-20.

FISCAL IMPACT:

The annual service fee is \$50,000 for FY 2017-18, \$51,500 for FY 2018-19 and \$53,045 for FY 2019-20, with a total contract price of \$154,545. The cost associated with this contract extension is budgeted in the existing Risk Management Division budget, Account No. 2315000-421000, for FY 2017-18 and future costs will be included in the FY 2018-20 budget, accordingly.

Prepared by: Scott G. Miller, PhD, CFO and Acting Risk Manager
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: First Amendment to agreement with HUB International Insurance Services Inc.