

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 02/27/06		Item Number: <u>C-4</u>	
AGENDA ITEM: An Extension to a Professional Services Agreement with Colen & Lee, Inc. to Provide Workers' Compensation Claims Administration Services.			
Contact Person/Dept.: Nick Kimball, Risk Management		Phone Number: (310) 253-5682	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Public Notification: Colen & Lee Inc. on 2/23/06; Master Notification List on 2/23/06			
Department Approval: Kermit Francis (02/22/06)		CAO Approval: Martin R. Cole for Jerry B. Fulwood (02/22/06)	
City Controller Approval: Marlee Chang (02/22/06)			
<u>RECOMMENDATION:</u> Staff recommends the City Council approve an extension (to at least 12/31/06 with an option to extend to 06/30/07) and fee increase to the professional agreement with Colen & Lee to provide workers' compensation claims administration services. The fee increase is 4%, or \$620, to \$16,120 per month, effective July 1, 2006. <u>BACKGROUND:</u> Colen & Lee has provided workers' compensation claims administration services for the City since July 1986. As the City's workers' compensation claims administrator, Colen & Lee is responsible for setting initial claim reserve amounts; reviewing medical treatment to ensure that it is appropriate; acting as a liaison between employees, doctors, attorneys, and the City; generating and mailing statutorily required notices to employees; processing and filing required forms with the appropriate parties; consulting with Risk Management staff to provide recommended courses of action; and generating and providing reports to Risk Management staff for use in analysis and enhanced program management. Overall, Colen & Lee has been responsive to the needs of Culver City's management and its employees. Over the past few years, Colen & Lee has worked with Risk Management staff on a number of service enhancements and new management reports which have improved the availability of information to City staff. They have also provided in-house training and attended various meetings when requested.			

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The current service agreement was approved in July 1990 and has since been amended three times (Attachment 1). The first amendment was approved in October 1997 and set the monthly service contract fee at \$11,475. The second amendment was approved in July 2002 and increased the monthly contract amounts for Fiscal Years 2001-02, 2002-03, and 2003-04 as follows: \$13,000, \$14,000 and \$15,000/month respectively. The third amendment was approved in June 2004 and provided for a monthly increase of \$500 to \$15,500/month. These fee increases were requested due to an increase in Culver City's workers' compensation case load (297 open cases in 2001 to approximately 380 open cases currently) and changing state regulations requiring additional resources for case management.

DISCUSSION:

Colen and Lee Services

The Department of Industrial Relations (DIR) sets forth a number of regulations pertaining to workers' compensation administrators. These include the number of cases each adjuster can handle, certification requirements, continuing education requirements, etc. Colen & Lee has consistently received high marks from the DIR and the 13 Independent Cities Risk Management Authority (ICRMA) cities that use their claims administration services.

While Culver City's new cases have remained relatively constant in the past few years, averaging approximately 152 per year, new regulations and increased litigation have resulted in cases staying open longer. Additionally, as previously noted, Risk Management staff has required enhanced services to more effectively manage the workers' compensation program. Consequently, this has consumed more of Colen and Lee's resources to meet the City's increasing needs.

Colen and Lee has agreed to extend their current contract terms through 6/30/2007, with a fee increase of 4% (\$620) per month effective 7/1/2006 (Attachment 2). The fee increase is a result of the previously mentioned factors as well as a standard increase in the cost of doing business.

Colen and Lee has been exceptionally helpful and accommodating during the transitional phase that resulted from turnover of key staff earlier this fiscal year. Since Colen and Lee is familiar with the City's claim files and history and all systems are in place, it is recommended that, at this time, we continue contracting with Colen and Lee through 12/31/06, with the option to extend the terms of the agreement in effect at expiration through 6/30/07. This will give current Risk Management staff the opportunity to get up to speed on existing workers' comp claims, continue to manage new claims in an effective manner, and complete the RFP process for third party claims administration services.

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Plan for RFP Process

Lastly, staff is planning to present to Council for consideration an RFP for Workers' Compensation third party claims administration services in late summer or early fall 2006. The RFP process will help ensure that the City is receiving quality claims administration services at a competitive price. An RFP for third party claims administration services was originally planned for summer 2005, but due to staff turnover, the RFP was delayed. New staff has since been hired to fill the vacancies and is ready to move forward with the RFP process. Giving staff the option to extend Colen and Lee's contract through 6/30/07 if necessary will ensure that the RFP process will be conducted in a complete and thorough manner

FISCAL ANALYSIS:

Adequate funds to cover Colen & Lee's contract fee through 6/30/06 are included in the 2005/06 budget (Other Contractual Services: 30921100.619800). The 4% fee increase will be included in the 2006/07 budget.

ATTACHMENTS:

Attachment 1: Service Agreement with first, second, and third amendments;
Attachment 2: Contract extension proposal letters from Colen & Lee.

MOTION:

That the City Council:

1. Authorize the fourth amendment to the professional services agreement with Colen & Lee, extending the terms of the contract through 12/31/06 and increasing the monthly contract amount from \$15,500 to \$16,120 effective 7/1/06; and
2. Authorize the Chief Administrative Officer to extend the terms of the agreement until 6/30/07, if necessary; and
3. Instruct the City Attorney to prepare the amendment ; and
4. Authorize the Chief Administrative Officer to sign the amendment on behalf of the City.