



City of Culver City

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Staff Report

File #: 19-1256, **Version:** 1

Item #: C-12.

CC - (1) Approval of a Three-Year Professional Services Agreement with George Hills Company for Liability Claims Administration and Management; and (2) Authorization to the City Attorney to Approve Two One-Year Extensions.

Meeting Date: May 13, 2019

Contact Person/Dept: Lisa Vidra/City Attorney
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Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☒ No ☐

Public Hearing: ☐ **Action Item:** ☐ **Attachments:** ☐

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (05/08/19);

Department Approval: Carol Schwab, City Attorney (05/06/19)

RECOMMENDATION

Staff recommends the City Council (1) approve a three-year professional services agreement with George Hills Company for liability claims administration and management; and (2) authorize the City Attorney to approve two one-year extensions.

BACKGROUND

To facilitate its liability claims management, historically, the City has used a third-party administrator (TPA) for investigation, adjustment and administration of liability claims asserted by third parties against the City. The TPA works closely with the City Attorney's Office in evaluating claims, negotiating and handling the paperwork for settlements at the claims stage, and monitoring the defense of litigation brought against the City. The TPA also ensures that the City, and its outside legal defense firms, follow the policies and guidelines set by the City, the City's insurers, and industry best practices.

Beginning on January 1, 1993, the City contracted for City and Transit liability claims administration with NovaPro Risk Solutions, L.P. In 2011, Carl Warren & Company ("Carl Warren") acquired NovaPro Risk Solutions, and the City has contracted with Carl Warren since that time. Effective

January 1, 2014, the City was required by the Independent Cities Risk Management Authority (ICRMA), the City's risk pool insurer at that time, to use either Carl Warren or another approved TPA. At that time, the City entered into a five-year tri-party agreement with Carl Warren and ICRMA, as required. ICRMA negotiated the price for services for all cities in the risk pool, for the term of the contract. The City withdrew from ICRMA as of June 30, 2016, and the tri-party agreement was terminated. Effective July 1, 2016, a new contract was signed with Carl Warren for the remaining three years on the original five-year liability TPA contract. Carl Warren continued to honor the previously negotiated fees. That contract expires on June 30, 2019. (Since May 1, 2017, the City has contracted separately with York Risk Services for Transit liability claims management, as required by CalTIP, the City's transit risk pool group).

It should be noted that the total cost for TPA services fluctuates each year, based on the number and type of claims filed against the City. Under Carl Warren, fees were charged based on the type of claim (bodily injury, property damage or both), and how many claimants were involved in the incident. If the claim turned into litigation, there was an additional fee. Since ICRMA negotiated TPA fees in 2014 for all its member cities, and the fees remained the same for the five-year term of the contract, it is expected that the total TPA cost under the new 2019 agreement will be higher, regardless of the firm selected.

Pursuant to Culver City Municipal Code (CCMC) Section 3.07.045, since Carl Warren has been utilized for a period of five consecutive years, the City's informal or formal bidding procedures, as applicable, shall apply. In this case, because these are professional services, the informal procedure of obtaining competitive quotations was followed.

DISCUSSION

The City Attorney's Office staff reached out to three TPA firms operating in the region-Carl Warren & Company, George Hills Company, and Keenan & Associates, to obtain proposals for TPA services. The City Attorney and staff met with each of the three firm's representatives and had discussions that included, but were not limited to, an overview of the firm, how staffing assignments were handled, caseloads of the claims adjusters, supervisory involvement, experience, training, litigation management, industry best practices, web-based portals available, and fees charged. The City Attorney's Office also discussed the results of these meetings with the Assistant City Manager and Chief Financial Officer.

Although all three firms had good experience, staff found the program presented by George Hills Company to offer the best opportunities to address the City's requirements. The five-member George Hills team who met with the City Attorney's Office were experienced, approachable, professional and presented staffing, supervisory and reporting structures that will meet the City's liability TPA needs.

FISCAL ANALYSIS

The City has filed up to 147 claims annually in the past three years and because of the contract terms that were negotiated in 2014 by ICRMA, the annual fees have ranged from \$49,000 - \$76,300.

However, based on the results of the competitive quotations recently received, the fees for FY 2019-2020 are estimated to range between \$90,000 - \$120,000 depending on the volume of claims each year. (See Attachment 1 George Hill Fee Structure). This increase in fees has been included in the FY 2019-2020 Budget enhancement request and will be paid out of Account #30913400.619800.

ATTACHMENTS

1. George Hills Fee Structure

MOTION

That the City Council:

1. Approve a three-year professional services agreement with George Hills Company for liability claims administration and management;
2. Authorize the City Attorney to approve two one-year extensions;
3. Authorize the City Attorney to review/prepare the necessary documents; and
4. Authorize the City Manager to execute such documents on behalf of the City.