



# City of Palo Alto

## City Council Staff Report

(ID # 6103)

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**Report Type: Consent Calendar**

**Meeting Date: 9/28/2015**

**Summary Title: Amendment No. 3 to Contract with Wells Fargo Insurance Services**

**Title: Approval of Amendment Number 3 to Contract Number S12145610 with Wells Fargo Insurance Services for Benefit Consulting and Broker Services, Increasing the Contract by \$68,500 for a Total not to Exceed Amount of \$304,000 through June 30, 2016 With an Option to Renew for one Additional Year to June 30, 2017**

**From: City Manager**

**Lead Department: Human Resources**

### **Recommendation**

Staff recommends that the City Council approve and authorize the City Manager to execute Amendment No. 3 to Contract S12145610 with Wells Fargo Insurance Services to increase contract authority by \$68,500 for a total not to exceed of \$304,000 through June 30, 2016. Staff also recommends that Council authorize the City Manager to exercise an option to extend the contract through June 30, 2017 for an additional \$75,000 with a total not to exceed of \$379,000.

### **Background**

The City of Palo Alto uses Wells Fargo Insurance Services serves as a broker and advisor for employee benefits services. Wells Fargo Insurance Services is among the nation's leading insurance brokerage, risk management, and employee benefits consulting firms. It is supported by one of the world's largest financial services firms, Wells Fargo & Company. As a wholly owned subsidiary of Wells Fargo & Company, Wells Fargo Insurance Services (WFIS) has the strong financial backing and technological capabilities of their parent company. WFIS provides the City with annual strategy setting, compliance review, renewal and negotiation services, vendor analysis and market review, enrollment and communication assistance and year-end analysis.

The City's relationship with WFIS began in 2005 when the City conducted a competitive solicitation for employee benefits brokerage and consultation services. In 2009 and 2012 the City also conducted competitive solicitation processes. In each case, WFIS was selected as the

firm which best matched the City's requirements. Contract S12145610 (the most recent contract) was originally established for \$68,500 per year for the duration of three years with a total not to exceed of \$205,500. In year two of the contract a \$15,000 annual amendment was added for the remaining two years. This amendment was for services related to retiree health care and brought the total not to exceed to \$235,500.

### **Discussion**

By approving this staff report, Council will increase the contract authority by \$68,500 for a total not to exceed of \$304,000 through June 30, 2016. Additionally, if needed, it will allow staff the ability to exercise an option to extend the contract through June 30, 2017, for an additional \$75,000 with a total not to exceed \$379,000. This action is being requested as the current contract ended on June 30, 2015. The department was unable to complete a solicitation process in FY15 due to vacancies and workload circumstances beyond staff control. Staff intends to conduct a competitive solicitation process within FY16. However, at this stage, interrupting services until a solicitation process is completed would interfere with required city operations. Additionally, WFIS is willing to continue the existing rate of \$68,500 through June 30, 2016. Staff believes this rate is competitive as it has not increased since 2012.

Furthermore, the City is working on a critical project with WFIS to outsource recordkeeping requirements of the Affordable Care Act (ACA). In January 2016, the City is required to file information to the Internal Revenue Services (IRS) documenting all employee work hours, pay rate, health plan enrollment and term of employment to be in compliance with the law. IRS forms 1094 and 1095 will also need to be mailed to each employee for their tax filing. Within the existing contract, WFIS began a solicitation on behalf of the City to outsource the tracking and filing documentation requirements. Vendor selection must be completed in September 2015 so that the department can begin to transmit data to the selected third-party vendor, in order to meet the federal deadline. Any disruptions to the services with WFIS would impact the City's ability to meet the ACA requirements. During the FY16 budget process \$15,000 was added to the department budget for ACA reporting.

### **Resource Impact**

Funds for these services were budgeted within the FY16 General Benefits Fund. Future funding will be appropriated as part of the FY17 budget process.

### **Attachments:**

- **Attachment:** Attachment A: Contract Number S12145610 Amendment No 3 - Wells Fargo Insurance Services (PDF)

**AMENDMENT NO. 3 TO CONTRACT NO. S12145610  
BETWEEN THE CITY OF PALO ALTO AND  
WELLS FARGO INSURANCE SERVICES USA, INC.**

This Amendment No. 3 to Contract No. S12145610 (“Contract”) is entered into the 21<sup>st</sup> day of September, 2015 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and WELLS FARGO INSURANCE SERVICES USA, INC., a North Carolina corporation authorized to do business in the state of California, located at 959 skyway Road, 2<sup>nd</sup> Floor, San Carlos, California, 94070, (“CONSULTANT”).

**RECITALS**

A. The Contract was entered into between the parties for the provision of Employee Benefit Broker Service for CITY benefit program; and

B. WHEREAS, CITY intends to extend the contract term to June 30, 2016 and increase the compensation by \$68,500.00 from \$235,500.00 to \$304,000.00 for continuation of services as per EXHIBIT “A” Scope of Services; and

C. WHERAS, CITY intends to create an option to extend the contract term to June 30, 2017 and increase the compensation by an additional \$75,000 for a total compensation of \$379,000.00 for continuation of services as per EXHIBIT “A” Scope of Services; and

D. WHEREAS, The parties wish to amend the Contract.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 2 TERM is hereby amended to read as follows:

“**SECTION 2. TERM.** The term of this Agreement shall be from July 1, 2012 through June 30, 2016, unless terminated earlier pursuant to Section 19 of this Agreement. CITY, by providing written notice from its City Manager or designee, may exercise an option to extend this Agreement from July 1, 2016 through June 30, 2017, unless terminated earlier pursuant to Section 19 of this Agreement.”

SECTION 2. Section 4 COMPENSATION is hereby amended to read as follows:

“**SECTION 4. NOT TO EXCEED COMPENSATION.** The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit “A”, including both payment for professional services and reimbursable expenses, shall not exceed Three Hundred Seventy Nine Thousand Dollars (\$379,000.00).

1 <sup>st</sup> Year	(07/01/2012 through 06/29/2013)	\$68,500.00
2 <sup>nd</sup> Year	(07/01/2013 through 06/29/2014)	\$83,500.00

3 <sup>rd</sup> Year	(07/01/2014 through 06/29/2015)	\$83,500.00
4 <sup>th</sup> Year	(07/01/2015 through 06/29/2016)	\$68,500.00
5 <sup>th</sup> Year, if applicable	(07/01/2016 through 06/29/2017)	\$75,000.00

The applicable rates and schedule of payment are set out at Exhibit “C-1”, entitled “HOURLY RATE SCHEDULE,” which is attached to and made a part of this Agreement.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit “C”. CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit “A”.

SECTION 3. The following exhibit(s) to the Contract is/are hereby amended to read as set forth in the attachment(s) to this Amendment, which are incorporated in full by this reference:

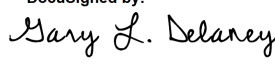
- a. Exhibit “A” entitled “SCOPE OF SERVICES”.
- b. Exhibit “B” entitled “COMPENSATION”.

SECTION 4. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.

**CITY OF PALO ALTO**

**WELLS FARGO INSURANCE  
SERVICES USA, INC.**

DocuSigned by:  
  
 503517FD7D0F4D9  
 Gary L. Delaney

APPROVED AS TO FORM:

Senior Vice President

Attachments:

EXHIBIT "A":	SCOPE OF SERVICES
EXHIBIT "C":	COMPENSATION

EXHIBIT "A"  
SCOPE OF SERVICES

CONSULTANT shall provide Employee Benefit Broker Services for CITY benefit program per the following:

- A. Representation in all negotiations with benefit providers on issues related to premiums, service, benefit levels, plan design, special terms and conditions, etc.
- B. Annual review and reports of employee benefits programs for quality and adequacy of benefits provided, strengths, shortcomings, cost-effectiveness, competitiveness, plan administration, and recommendations concerning any changes in terms, conditions and limits, and future cost reduction strategies and goals.
- C. When coordinating or assisting with request for proposal (RFP) process, CONSULTANT shall work directly with City's Human Resource and Purchasing Divisions to ensure that RFP's meet all City requirements and shall issue RFP's only upon receipt of written direction from City.
- D. Prepare action plan on calendar year basis to manage City's account including renewal, plan implementation, new program/services identification, assessment of needs and problems, long-mid- short range planning of tasks and activities.
- E. Annual evaluation of self-funded dental and vision plan costs and revenues with recommendation for future premium based on current plan design, and estimated premium based on changes to plan design (i.e. higher annual maximum benefit).
- F. Website technologies ("Website") that may be edited and updated by City to support an employee educational module to assist employees in self-management of benefits, that are accessible via the internet as well as the City's intranet.
- G. Review and resolution of issues concerning insurance policies, certificates of insurance and other documents related to employee benefits programs.
- H. Claims experience reports and special studies as requested by City.
- I. Assistance in the development of long-range goals and strategies for the City's employee benefits programs such as union partnerships and employee education programs.
- J. Monitoring of ongoing contracts, including provider plan administration, tracking of performance standards, provider compliance with contracts and incurred claims.
- K. Estimates of renewal rates and cost trends and assistance to City staff in preparation of budget figures.

- L. Information, consultation, and recommendations on employee benefit issues, trends and existing, proposed, or new legislation including but not limited to Healthcare Reform, COBRA, HIPAA, Medicare, FMLA, CFRA, ADA, and IRS rules.
- M. Identification and analysis of cost containment and efficiency measures such as employer partnerships, electronic benefits administrations, etc.
- N. Attendance, upon request, at meetings with City and bargaining units; develop models to incentivize employees to seek lower cost plans.
- O. Assistance with employee communications, including design and delivery of employee health benefits brochures and information and web page.
- P. Upon request of City, and potentially upon short notice, produce probable cost of actual or hypothetical changes in the insurance programs.
- Q. Provide bi-weekly calls with Human Resources to track ongoing employee benefit action items.
- R. Assist City in coordinating City required contract requirements; document with vendors.
- S. Review of and assistance with resolving disputes regarding coverage, billing questions and service delivery.
- T. Provide educational support of Human Resource staff members to enhance knowledge of benefit issues, legislation, and compliance requirements.
- U. Assist Human Resources staff members with coordination of annual Benefits Fair and Open Enrollment period.
- V. Keep City informed of new and emerging trends in health care with regular (i.e. personal site meetings by account management team to discuss City benefit program issues and concerns).
- W. Consultant shall provide prompt services and accurate information as required, and shall designate a backup individual to the CONSULTANT's Project Manager who will be available at all times.

## **EXHIBIT "C" COMPENSATION**

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement based on the rate schedule attached as Exhibit C-1.

The compensation to be paid to CONSULTANT under this Agreement for all services described in Exhibit "A" ("Services") and reimbursable expenses shall not exceed \$379,000.00. CONSULTANT agrees to complete all Services, including reimbursable expenses, within this amount. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

### **REIMBURSABLE EXPENSES**

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are: NONE

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense shall be approved in advance by the CITY's project manager.

### **ADDITIONAL SERVICES**

The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY's project manager's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, including reimbursable expenses, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's Project Manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement.