

MEMORANDUM

TO: Chairman and Members of the Board of Directors

FROM: Vanessa Bronsema, HR Director
Michele Zlotek, HR Manager
Magan Waltari, Purchasing & Contracts Manager

DATE: April 6, 2023

SUBJECT: Consideration of Approval of a Contract with Association of Washington Cities for Labor and Industries Claims Management

RECOMMENDATION

That the Board of Directors authorize the General Manager to enter into a contract with the Association of Washington Cities to provide Labor and Industries Claims Management, execute any extensions under the agreement, and approve any change orders within the General Manager's approval authority without the need for further Board approval.

BACKGROUND

In January 2023, staff issued a small purchase request in search of a firm to provide claims management for WTA's Washington State Labor and Industries (L&I) workers' compensation program. The service includes claims management and reporting, loss control, legal representation, training, and safety consulting. Currently WTA uses a company called Risk Finance for these services; Risk Finance acquired WTA's previous vendor, Comprehensive Risk Management in 2021. In 2022 WTA budgeted \$36,250 for these services.

A small purchase request was issued following the agency's procurement policy; the purchase request was based on a staff estimate using the existing contract with Risk Finance which has a total cost of less than the General Manager's authority. Only the current vendor proposed, and their proposal came at a considerable contract increase resulting from an updated pricing method.

WTA has historically paid a flat rate monthly fee based on a maximum number of claims, that excluded legal representation on L&I claims. The new pricing method with the current vendor is a percentage of WTA's annual L&I premium, billed quarterly. Both methods excluded legal assistance and required additional fees for their recommended attorney.

Staff conducted due diligence in confirming fair and reasonable pricing for a new contract. During the due diligence, WTA found it could utilize an existing membership with

Association of Washington Cities (AWC) for L&I claims management. While the pricing model is similar to what was being proposed by WTA's current vendor, the cost was significantly lower.

| VENDOR | MANAGEMENT FEE | LEGAL REPRESENTATION |
|--------------|----------------|----------------------|
| Risk Finance | 10% | At Cost |
| AWC | 6.5% | At Cost |

With the change in pricing method, staff estimates the total cost over a five (5) year contract to exceed the General Manager's signing authority of \$150,000.

If approved, the new L&I claims management services with AWC would take effect on May 1, 2023. Risk Finance has agreed to an extension of the current contract to allow for a transition.

FISCAL IMPACT

For the first year of the contract, WTA anticipates the cost to be \$37,807, which is equal to 6.5% of 2022's L&I premium of \$581,653. The required budget for this purchase was included in the 2023 HR Budget.