To: Mayor and City Council
From: Mark Lewis, City Manager
Subject: RESOLUTION: MANAGEMENT CONSULTING AGREEMENT WITH LEGACY ENTERPRISES INSURANCE SERVICES FOR EMPLOYEE BENEFITS CONSULTATION

RECOMMENDATION

It is recommended that the City Council adopt a Resolution that approves findings supporting an exception to the competitive bidding process and authorizes the City Manager to execute a management consultant agreement with Legacy Enterprises Insurance Services for employee benefits consultation.

SUMMARY

During 2004 the City used the services of Legacy Enterprises Insurance Services for consulting on employee benefits issues. A proposed consultant agreement would provide the City with consulting services for one year by a firm that specializes in the field of employee benefits.

DISCUSSION

Background

Employee compensation is the largest category of cost that the City pays each year. Compensation is paid for salary costs and benefits. The benefits payments are primarily for health and dental insurance. Such insurance costs are substantial. Over the past six fiscal years the costs for benefits has risen over one hundred percent.

In 2004 a Request for Proposal process was used to find the best qualified firm to provide employee benefits consultation to the City. Legacy Enterprises was selected because of the firm's experience in the field and its knowledge of the City's benefits programs. In June 2004, the City entered into a four month agreement with Legacy Enterprises Insurance Services to provide the City with analysis and consultation on contracting and administering health and dental insurance programs. Charlynn Harless is President and CEO of Legacy Enterprises Insurance Services and provided the consulting work to the City on behalf of Legacy Enterprises. Her work has been helpful in analyzing the City's expenditures and in beginning to develop a better understanding costs and alternative methods to minimize costs. Legacy Enterprises has performed similar
work for school districts and other government agencies including San Joaquin County Office of Education, City of Lodi, Stockton Unified School District, City of Antioch, County of Tulare, and many others.

Current Situation

The consulting agreement with Legacy Enterprises lapsed at the end of September 2004 and the City continues to need consultation on employee benefits. A consulting agreement has been drafted that would give Legacy Enterprises several important assignments such as facilitating actuarial studies for financial planning, analyzing and making recommendations to the City on rates charged by insurance providers and claims processors, overseeing audits on claims from benefits plans, monitoring legislation that impacts health benefits, and assisting the City in preparing informational materials for employees concerning their health and dental benefit plans. The rate structure proposed for these services is the same as in the previous Legacy Enterprises' contract: $2.00 per month for each insured City employee. Monthly billings from Legacy Enterprises Insurance Services will include a summary report of the work performed on behalf of the City.

Findings for Awarding the Contract

Stockton Municipal Code section 3-105 provides for exceptions to the City of Stockton's competitive bidding requirements in cases where the Stockton City Council has approved findings that support and justify the exception. The following findings are provided to support the use of Legacy Enterprises Insurance Services as the consultant for the needed services:

1. The City does not presently possess the necessary expertise to perform the detailed analysis needed or to bring forth the same quality of cost savings measures as a consultant who specializes in employee benefits. Employee benefits analysis is a very specialized field and its success requires experienced professionals who have successfully performed such tasks.

2. Legacy Enterprises Insurance Services is familiar with the subject matter and the benefit agreements that the City currently uses. Therefore, using Legacy Enterprises Insurance Services will lead to time and monetary efficiencies.

3. Legacy Enterprises Insurance Services has previously provided consulting services through a contract with the City and the City has been satisfied
RESOLUTION: MANAGEMENT CONSULTING AGREEMENT WITH LEGACY ENTERPRISES INSURANCE SERVICES FOR EMPLOYEE BENEFITS CONSULTATION

with the quality of services Legacy Enterprises Insurance Services provided.

4. The use of a competitive bidding process for the project would lead to unnecessary delays in obtaining useful benefits information which could result in increased costs for providing employee benefits.

5. Entering into the proposed contractual arrangement with Legacy Enterprises Insurance Services would be in the best interest of the City.

FINANCIAL SUMMARY

The approximate cost for the agreement would be $52,000. Funds are available for this expenditure in the Health Internal Service Fund (552-5510).

MARK LEWIS, ESQ.
CITY MANAGER

ML/MP
Attachments

cc: Richard Nosky, City Attorney
    Christine Tien, Deputy City Manager II
    Terry Parker, Director of Human Resources
    Katherine Meissner, City Clerk
Resolution No. ____________

STOCKTON CITY COUNCIL

RESOLUTION MANAGEMENT CONSULTING AGREEMENT WITH LEGACY ENTERPRISES INSURANCE SERVICES FOR EMPLOYEE BENEFITS
CONSULTATION

WHEREAS, the administration of employee benefits is a significant expense to the City; and

WHEREAS, high quality analysis of employee benefits costs and trends can assist the City in budgeting for and minimizing employee benefit expenditures; and

WHEREAS, Stockton Municipal Code ("SMC") section 3-105 provides for an exception to the competitive bidding requirements in cases where the City Council has approved findings which support and justify exceptions to the competitive bidding process; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. Pursuant to the requirements of SMC section 3-105, the City Council hereby approves the following findings which support the use of Legacy Enterprises Insurance Services as a consultant for the needed services:
   a. The City does not presently possess the necessary expertise to perform the detailed analysis needed or to bring forth the same quality of cost savings measures as a consultant who specializes in employee benefits. Employee benefits analysis is a very specialized field and its success requires experienced professionals who have successfully performed such tasks.
   b. Legacy Enterprises Insurance Services is familiar with the subject matter and the benefit agreements that the City currently uses. Therefore, using Legacy Enterprises Insurance Services will lead to time and monetary efficiencies.
   c. Legacy Enterprises Insurance Services has previously provided consulting services through a contract with the City and the City has been satisfied with the quality of services Legacy Enterprises Insurance Services provided.
   d. The use of a competitive bidding process for the project would lead to unnecessary delays in obtaining useful benefits information which could result in increased costs for providing employee benefits.
e. Entering into the proposed contractual arrangement with Legacy Enterprises Insurance Services would be in the best interest of the City.

2. That the City Manager of the City of Stockton is hereby authorized to execute a management consultant agreement with Legacy Enterprises Insurance Services for employee benefits consultation.

PASSED, APPROVED and ADOPTED ____________________________

ATTEST:

GARY A. PODESTO  
Mayor of the City of Stockton

KATHERINE GONG MEISSNER  
City Clerk of the City of Stockton