

**City of Coral Gables City Commission Meeting
Agenda Item H-1
January 12, 2016
City Commission Chambers
405 Biltmore Way, Coral Gables, FL**

City Commission

**Mayor Jim Cason
Commissioner Pat Keon
Commissioner Vince Lago
Vice Mayor Frank Quesada
Commissioner Jeannett Slesnick**

City Staff

**City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Chief Procurement Officer, Michael Pounds
Risk Manager, David Ruiz**

Public Speaker(s)

George Erickson

Agenda Item H-1 [12:10:28 p.m.]

A Resolution accepting the recommendation of the Chief Procurement Officer to award the Risk Management and Insurance Brokerage contract to Arthur J. Gallagher Risk Management Services, Inc., in the amount of \$120,000 annually, pursuant to Section 2-828 entitled "Contract Award" of the Procurement Code and Request for Proposal (RFP) 2015.09.11; with the contract running for a period of three (3) years, with two (2) additional two (2) year renewable option periods.

Mayor Cason: At this point, I would like to do H-1 because Mr. Gallagher has been here for a long time. Then we'll take a lunch break and then we can follow up with the City Manager's...

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Agenda Item H-1 – Resolution accepting the recommendation of the Chief Procurement Officer to award the Risk Management and Insurance Brokerage contract to Arthur J. Gallagher Risk Management Services, Inc., pursuant to Section 2-828 entitled "Contract Award" of the Procurement Code and Request for Proposal (RFP) 2015.09.11

City Manager Swanson-Rivenbark: After H-1, I'd like to make a brief statement.

Mayor Cason: Okay.

City Manager Swanson-Rivenbark: And then the lunch-break. Are there any other outside people that are here.

Mayor Cason: So let's do H-1, your statement, and lunch.

Chief Procurement Officer Pounds: The purpose of this RFP is to obtain risk management services and to ultimately obtain a broker of record for various lines of insurance coverages. The broker will be responsible for procuring insurance policies and to provide risk management-related services. On September 11, 2015, the Procurement Division formally advertised, issued and distributed the risk management insurance RFP. On October 15, 2015, only one proposal was received from Arthur J. Gallagher Risk Management Insurance Services, Inc. Seven other firms had requested the RFP from Procurement, but ultimately decided not to submit a response to the RFP. Now, some of the firms did not submit because they had other projects going on. One, in particular, had just gotten a contract with the State of Florida and just didn't feel that they could take on doing this RFP. Another firm said that they just didn't feel that they had developed any kind of relationship with the insurance people in the City, that they felt like they knew enough about what we wanted to be able to submit. Another firm, the principal that would have submitted, became ill and was not able to submit the RFP. And we had another firm who had a relationship with Arthur Gallagher and decided not to compete with Arthur J. Gallagher. So, those were the kind of responses we got from firms who had picked up the proposal, but ultimately did not submit. We did get some interest when we did our Q&A from other firms, but again, we only received the one proposal. On November 9, 2015, the Evaluation Committee convened to evaluate the one proposal, and based on the Procurement Code, asked the Chief Procurement Officer to resolicit the RFP to obtain more competition. The City Manager

requested that the Evaluation Committee reconsider and evaluate the proposal from Arthur J. Gallagher Risk Management Services to determine if they were qualified to perform the work under the scope of services. The Evaluation Committee met again on November 24, 2015, and based on the combined evaluation score unanimously recommended Arthur J. Gallagher to provide these services. The Insurance Advisory Committee also recommends Arthur J. Gallagher and Associates.

Mayor Cason: For how many years have they had the contract, and is the price the same?

Chief Procurement Officer Pounds: I would say in excess of 20, but I don't know the specific number.

Commissioner Lago: Yeah, let me ask you a question. Just the second part of the Mayor's question was based on price. When we did the renewal three years ago, what was the proposed upfront annual fee?

Chief Procurement Officer Pounds: I'd like to have George Erickson come forward. He can provide that information from the last proposal.

Commissioner Lago: And then I wanted to ask you in reference to why we only had one applicant.

Chief Procurement Officer Pounds: As I mentioned before, we did a survey. I would say two firms just were not available to do it. They had other things going on and, in fact, one of them had just gotten in a contract with the State of Florida and they were directing their resources to implementing that contract. Another firm said that they just didn't feel that they had the time to work with our staff to really know what we really wanted in this RFP. And another firm had one of their principals get sick at the time the proposal needed to be submitted and was not able to submit at that time. There was another firm that said that they just decided that we were not a

good match, what we were asking for. And then the last one was they didn't want to compete with Arthur Gallagher because they actually are -- they have a business relationship with that firm.

Mayor Cason: Okay.

Commissioner Lago: In reference to the annual fees, can you give me an idea of what was paid three years ago?

George Erickson: Certainly. And for the record, my name's George Erickson. I'm with Siver Insurance Consultants, in St. Petersburg, Florida. Just by a little bit of history, Arthur J. Gallagher has been on the account for at least 20 years, but I can say that from approximately 1999 to 2010 maybe or 2006, the contract was split between Arthur J. Gallagher and Aon between the property insurance and the casualty insurance. And at that time, Arthur J. Gallagher was charging the same price they're charging now to just handle the casualty portion. And I believe it was around 2010 approximately, Arthur J. Gallagher stepped forward and offered to handle the entire piece of business -- all the City's business for the same price they were already charging. I think they were charging 125,000 actually, if I'm more specific. And the then City Manager came back and said you can have all the business if you reduce your fee by \$5,000, which they took on all the business for less money than they were doing for half of it. And at that time, the City was paying another, I believe, 60,000 to Aon on top of the 125. You were paying 185,000 earlier, about ten years ago, up until about 2010.

Commissioner Lago: And let me ask you a question. Is it -- I'm not in insurance. I have very minimal experience when it comes to insurance. Is this standard protocol to pay a firm a lump sum fee to manage the account and then are the residual backend payments that the insurance company also makes money on?

Mr. Erickson: Arthur J. Gallagher makes nothing except for this fee that they charge. There is no commission. It is removed from the price quotes that are (INAUDIBLE). And so, you pay zero commission and then this is a flat fee in lieu of commission that is paid by Arthur Gallagher. And yes, to answer your question, 120,000 is the preexisting price. They did not increase their price from what they've been charging the City, historically.

Mayor Cason: And we've got a good value?

Mr. Erickson: It is very good value. I -- in addition to what Mr. Pounds found in his survey, I would not be surprised if some firms stayed away altogether because they already knew what the pricing was in the City of Coral Gables and that they didn't think they were able to be competitive.

Commissioner Lago: Are you expecting an increase in regards to insurance premiums?

Mr. Erickson: That can vary from line to line. We're hoping to see a hold the line or possibly a decrease in property, and what I don't know is on the other lines of insurance it's very claim driven, and so I haven't seen enough data to know whether that's the case. I'd hope that -- historically, I would say that Arthur J. Gallagher has done a very good job in holding the line on the City's premiums, and in fact, in a couple years where I've thought increases were coming, they were avoided due to marketing efforts.

Commissioner Lago: And my final question, what can we do as a city to ensure that our fee -- our premiums continue to fall if there is an opportunity to reduce them? I mean, is there wind hardening? Is there options that maybe the City wasn't entertaining before we weren't in the financial situation we are in today, which is much better? What else can we do?

Mr. Erickson: Well, certainly any efforts at hardening and other loss prevention activities on the casualty side, anything you can do from a safety standpoint. The difficult part there -- and this is

where Arthur J. Gallagher's role comes in -- is then communicating that out to the insurance marketplace, that those efforts have been made and getting the value back for it, but it's worth it in and of itself to reduce the losses because the City is self-insured for a large portion of that. As well, because the City is self-insured for a large portion of its insurance, it's only catastrophic losses which get the City into any kind of difficulty. And several years back, there were some problems with that, but it's been very good sense and all the loss ratios have gone down. The experience modifications have come down. And so, there is a good expectation that at least the line will be held, if not reduced in the premium.

Commissioner Lago: Well, in reference to what you mentioned about the self-insurance, we've, from my understanding -- correct me if I'm wrong -- we've had multiple issues in regards to Miracle Mile and, you know, tripping issues where we've had to deal with several lawsuits on a yearly basis to make sure that we're covered and that the person who was injured or supposedly injured was taken of. Now that we're going to be entering a new construction project, I mean, obviously, we should see a significant drop because you won't have those ADA...

Mayor Cason: (INAUDIBLE) fixed all the sidewalks.

Commissioner Lago: Compliance issues. We won't have the sidewalk issues. It won't be a tripping hazard.

Mr. Erickson: That should be helpful. I would point out that in some of those cases, those tripping cases come out of the City's own self-insurance funds and aren't actually -- they don't have much impact on the insurance premiums...

Commissioner Lago: Okay.

Mr. Erickson: Because the insurance company never actually gets involved.

Mayor Cason: It's the workman compensation that was the big one, the street sweeper a number of years ago. Those sorts of things that really hit us, but that's sort of faded away and the rates have been going down, if I'm not mistaken.

Mr. Erickson: There were some catastrophic claims. The City has actually changed their insurer since that time and the new insurers that have come in have given the City a lot of credit going forward that they actually came in believing it wasn't going to happen again.

Mayor Cason: I think we've gotten great value from this...

Commissioner Keon: Right. I think a lot of it comes from -- you know, it's the Personnel Department really ensuring that they, you know...

Mayor Cason: (INAUDIBLE).

Commissioner Keon: Track and look at the people that work in the City and the training programs that are put in place with anyone that drives heavy equipment and whatever else. So, I think, you know, through Public Works and through the different programs -- Can you speak to that at all, Cathy?

City Manager Swanson-Rivenbark: I'm happy to have David or Elsa come forward. We're actually increasing the training programs throughout the City for safety for use of...

Commissioner Keon: Good.

City Manager Swanson-Rivenbark: Equipment and for better protocols, so we have more to come.

Mr. Erickson: I'd also just add real quickly to that. In this solicitation, there was an inclusion of a certain amount of loss control services to be provided by Arthur J. Gallagher's extended personnel that they can bring in and do some servicing, and David can maybe address that more directly.

Commissioner Keon: Good.

Risk Manager Ruiz: Yes. Good afternoon. David Ruiz, Risk Manager. Yes, we're implementing a monthly safety program. There is mention about some equipment. We've had vector training earlier this year. We also had training with the cranes. We actually had the entity that sold us the cranes conduct on-site training. We're doing monthly training with Public Works. Also, with the new broker contract, we're going to increase our in-person training through Arthur J. Gallagher from five sessions a year to ten sessions a year, in addition to supplementing what I'm doing, which is a monthly safety program over at Public Works.

Mayor Cason: Great.

Commissioner Keon: Great. And we're going to install security in our garages so that will help with those other public places and public...

City Manager Swanson-Rivenbark: Security -- physical security, men security is already in place. But the lighting and the cameras...

Commissioner Keon: The lighting, the painting and the cameras that will be part of our CCTV...

Mayor Cason: All of this should lead to...

Commissioner Keon: Program which should...

Mayor Cason: Fewer incidences.

Commissioner Keon: Really make us safer.

Mayor Cason: Alright, do we have a resolution? Do we have a...

Commissioner Keon: I'll move.

Mayor Cason: Motion on this one?

Vice Mayor Quesada: Second.

Commissioner Keon: I'll make the motion.

Mayor Cason: Commissioner Keon makes the motion. The Vice Mayor seconds. City Clerk.

Commissioner Keon: Yes

Commissioner Lago: Yes

Vice Mayor Quesada: Yes

Commissioner Slesnick: Yes

Mayor Cason: Yes

(Vote: 5-0)

Mayor Cason: City Manager.

[End: 12:22:49 p.m.]