



CITY COUNCIL ACTION REQUEST

Department(s): Human Resources	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.	Coordination: City Attorney's Office and City Manager's Budget Office	Dept. Approval: Jennifer Schembri 
Council District(s): Citywide			CMO Approval:  8/16/23

SUBJECT: VENDOR AGREEMENT WITH P&A GROUP FOR FLEXIBLE SPENDING ACCOUNT, COMMUTER, AND COBRA BENEFITS ADMINISTRATION FOR CITY EMPLOYEES AND THEIR DEPENDENTS

RECOMMENDATION:
Adopt a resolution authorizing the City Manager or designee to negotiate and execute an agreement between the City and P&A Group for Flexible Spending Account, Commuter, and COBRA benefits administration for a five-year term for the period of January 1, 2024 through December 31, 2028, for a total cost not to exceed \$435,000 subject to the annual appropriation of funds.

BASIS FOR RECOMMENDATION:
The City has an agreement with P&A Group for the administration of the Flexible Spending Account, Commuter, and COBRA benefits administration that expires on December 31, 2023.

In January 2023, Human Resources launched a request for proposal (RFP) on BidSync, the City's procurement website, to solicit proposals from all interested parties and coordinated an RFP evaluation committee.

The RFP evaluation committee consisted of representatives from the Benefits and HR Information Systems Division in Human Resources and a representative from the Department of Transportation assigned to the employee commuter program. The RFP evaluation committee and the City's Benefits consultant reviewed all nine proposals received, and based on the agreed-upon evaluation criteria and ability to meet the City's standard terms and conditions, conducted final interviews with the top two firms: P&A Group and Navia. While both firms were able to meet the City's requested services and offered competitive pricing, P&A Group was the chosen provider with an average weighted score of 82.7 out of 100. Navia's final score was 79.3. Based on the review of proposals and final interviews, the RFP evaluation committee recommended the City choose to continue services with the incumbent provider, P&A Group.

The key terms for the agreement with P&A Group are as follows:

1. The term of the agreement to provide Flexible Spending Account, Commuter, and COBRA benefits administration will be January 1, 2024 to December 31, 2028.
2. The monthly administration fee charged by P&A Group for the requested services for the duration of the agreement is as follows:
 - a. Flexible Spending Account benefit administration will be \$2.50 per enrolled employee per month. The City will collect the \$2.50 from employees on a pre-tax basis through a monthly payroll check deduction and send it to the vendor.
 - b. Commuter account administration will be \$2.50 per enrolled employee per month. The City will collect the \$2.50 from employees on a pre-tax basis through a monthly payroll check deduction and send it to the vendor.
 - c. COBRA administration will be \$0.40 per benefited employee per month.

Commission Recommendation/Input: No commission recommendation or input is associated with this action.

COST AND FUNDING SOURCE:

All fees associated with flexible spending accounts are paid by enrolled employees. Fees associated with COBRA administration and commuter benefit are funded by the City’s Special Benefit Fund 160. Funding in Fund 160 has been included in the 2023-2024 adopted budget and will be sufficient to cover the proposed expenses in the first six months of the new agreement with P&A Group. Funding for future fiscal years is subject to appropriation and will be included as part of the annual budget process. Projected costs are outlined in the table below.

	Monthly Fee	Projected Enrollment/Eligible Employees	Projected Annual Cost	Projected Not to Exceed for 5-year Agreement
Flexible Spending*	\$2.50	1600	\$48,000	\$240,000
Commuter**	\$2.50	260	\$7,800	\$39,000
COBRA**	\$0.40	6500	\$31,200	\$156,000
TOTALS			\$87,000	\$435,000

* This fee is paid exclusively by employees and no cost to the City.

**These fees are paid by the City’s Special Benefit Fund and have been included in the 2023-2024 adopted budget.

The pricing outlined above will result in a savings of approximately 23% for Flexible Spending Account benefit administration and 17% for Commuter benefit administration compared to current pricing in effect until December 31, 2023. COBRA fees remained the same.

If approved, this recommendation will provide a savings to employees who participate in City’s Flexible Spending Account benefit, savings to the City for Commuter benefit administration, and eliminate any disruption caused by a change in provider. Human Resources will continue to educate and promote participation in these helpful tax-savings plans.

Fund #	Appn. #	Appn. Name	Current Total Appn	Amt. for Contract	2023-2024 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
533	0512	Department of Transportation Non-Personal/Equipment	\$7,555,053	\$7,800	892	6/20/2023, 30933
160	3759	Benefits Consultant Fee	\$265,000	\$31,200	852	6/20/2023, 30933
Total Current Funding Available			\$7,820,053	\$39,000		

FOR QUESTIONS CONTACT: Amy Morton, Sr. Analyst, (408) 975-1425