


CITY COUNCIL ACTION REQUEST

Department(s): Finance	CEQA: Not a Project, File No. PP17-003, Agreements/	Coordination: CAO, CMO-Budget Office	Dept. Approval: /s/ Julia H. Cooper
Council District(s): Citywide	Contracts (New or Amended) resulting in no physical changes to the environment.		CMO Approval:  6/11/2020

SUBJECT: NINTH AMENDMENT TO AGREEMENT WITH ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC. FOR BROKERAGE SERVICES

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to negotiate and execute the Ninth Amendment to the Agreement with Arthur J. Gallagher and Co. Insurance Brokers of California, Inc. (Gallagher) for ongoing insurance brokerage and property loss and loss control services to amend the term by adding one twelve-month option to extend the term for July 1, 2020 through June 30, 2021, for a not-to-exceed amount of \$105,000, for the extended term, with a total maximum compensation not to exceed \$736,000, subject to the appropriation of funds.

Desired Outcome: Provide operational continuity of the existing insurance policies and upcoming annual policy renewals.

BASIS FOR RECOMMENDATION:

The City of San José transfers exposure for catastrophic property losses through the purchase of insurance and utilizes an insurance broker to obtain quotes and negotiate coverages. In June 2013, following a Request for Proposal (RFP) process, Council approved the execution of an agreement with Arthur J. Gallagher for insurance brokerage services for the period of July 1, 2013 through June 30, 2015, with authority to exercise up to three one-year options for extension through June 30, 2018. In June 2018, Council approved an amendment of the term by adding two twelve-month options to extend the term through June 30, 2020. Under the agreement, Gallagher goes to market on the City's behalf to procure property, casualty, aviation, environmental, fiduciary, crime, auto, secondary law enforcement, a customs bond and other insurance products. In addition, Gallagher provides account management, administration, and claim services to include review of insurance market trends, past losses, insured assets, industry trends, and trending costs for local property values.

Approval of the above recommendations will ensure continued quality insurance and loss control brokerage services at competitive rates for the City and allow staff time to prepare and complete a new RFP for brokerage services. Total compensation to Gallagher for the contract period for the term from July 1, 2013 through June 30, 2021 will be \$736,000.

Climate Smart San Jose: The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

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

This Council item is consistent with the City's 2019-2020 Adopted Operating Budget City Areas Delivery Framework: "To effectively develop, manage, and safeguard the City's fiscal, physical, technological, and human resources to enable and enhance the delivery of City Services and projects."

COST AND FUNDING SOURCE:						
Fund#	Appn. #	Appn. Name	Total Appn.	Amt. for Recommendation 2020-2021*	2020-2021 Proposed Operating Budget Page**	Last Budget Action (Date, Ord. No)
001	2001	Insurance Premiums	\$1,205,000	\$37,247	VIII-23	N/A
001	2864	Police Officers' Professional Liability Insurance	\$100,000	\$3,857	VIII-23	N/A
001	0502	Non-Personal/Equipment (Police Department)	\$27,381,063	\$2,306	VII-262	N/A
523	0802	Non-Personal/Equipment (Airport)	\$48,519,899	\$34,359	IX-3	N/A
536	3405	Insurance Expenses (Convention Center)	\$338,000	\$13,268	IX-29	N/A
533	0512	Non-Personal/Equipment (Department of Transportation)	\$8,051,497	\$3,371	IX-44	N/A
513	0762	Non-Personal/Equipment (Environmental Services Department)	\$34,010,552	\$7,988	IX-87	N/A
515	0762	Non-Personal/Equipment (Environmental Services Department)	\$37,063,165	\$313	IX-100	N/A
423	0762	Non-Personal/Equipment (Environmental Services Department)	\$3,176,104	\$326	IX-54	N/A
346	0109	Loan Management (Housing Department)	\$225,000	\$147	IX-56	N/A
<i>* The amount for recommendation per appropriation is subject to change as this is based on the insurance policy premiums. City defined contribution plans and SARA are billed separately for their respective share of broker fees estimated to be \$1,552.</i>						
<i>** 2020-2021 Proposed Operating Budget recommendations are subject to approval by City Council on June 16, 2020.</i>						
FOR QUESTIONS CONTACT: Miguel Bernal, Risk Manager at 408-975-1438						