



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: AUGUST 16, 2022**

FROM: FINANCE – RISK MANAGEMENT **WARDS: ALL**

SUBJECT: APPROVE THE PROFESSIONAL SERVICES AGREEMENT WITH SEDGWICK CLAIMS MANAGEMENT SERVICES, INC. FOR THE ADMINISTRATION AND MANAGEMENT OF ALL PARADA CLAIMS AND PAYMENTS DUE TO RIVERSIDE PUBLIC UTILITIES CUSTOMERS IN THE AMOUNT OF \$278,500, INCLUDING A 15% CONTINGENCY OF \$41,775 FOR A TOTAL NOT TO EXCEED \$320,275 FROM AUGUST 16, 2022, TO AUGUST 16, 2027.

ISSUE:

Approve the Professional Services Agreement with Sedgwick Claims Management Services Inc. for the administration and management of all Parada claims and payments due to Riverside Public Utilities customers in the amount of \$278,500, including a 15% contingency of \$41,775 for a total amount not to exceed \$320,275 from August 16, 2022, to August 16, 2027.

RECOMMENDATIONS:

That the City Council:

1. Approve the Professional Services Agreement with Sedgwick Claims Management Services, Inc. in the amount of \$278,500 for the period of August 16, 2022 to August 16, 2027;
2. Authorize a 15% contingency of \$41,775 to support any additional service hours or support needed to satisfy the City’s obligations under the Parada settlement agreement and;
3. Authorize the City Manager, or designee, to execute the agreement and any additional documents necessary for the agreement, including all amendments and extensions, and making minor and non-substantive changes to the agreements.

BACKGROUND:

In 2010, California voters passed Proposition 26 which provided that certain fees and charges unrelated to electric service must be approved by voters.

In 2018, the City of Riverside was served with a lawsuit titled Parada v City of Riverside. The plaintiff’s argued that the GFT was an added tax that required voter approval and that the City violated Proposition 26 by not securing voter approval for the 11.5% GFT.

In May 2021, a settlement was reached by the City and Parada plaintiffs. The settlement required the City to place a measure on an upcoming ballot that asks voters to authorize the Utility Fund Transfer to the General Fund to pay for City services unrelated to the utility.

On July 20, 2021, the City Council voted 5-2 to place the Council’s amendment, The Service Protection Measure (Measure C), on the November ballot.

On November 2, 2021, Riverside residents voted and passed Measure C.

Measure C- County Registrar of Voters as of November 10, 2021		
Yes	16,112	54.5%
No	13,446	45.5%
Total	29,558	

Measure C, also referred to as the “City of Riverside Services Protection Measure”, will ensure that city officials can protect essential city services such as 9-1-1 emergency responses, fire and paramedic services, public safety, and street repairs, while addressing homelessness and continuing our investments in youth, parks, libraries, and senior programs.

Per the Conditional Settlement Agreement and Release notice, the City must “refund to customers of its electric utility an amount to \$24,000,000 less the amount awarded to Plaintiff’s counsel in fees (\$2,240,000) and less the incentive payments (two service awards of \$5,000) for a total of \$21,750,000 owed to utility customers”.

The City’s Risk Management division is leading all efforts to ensure the City complies with the Parada settlement terms.

DISCUSSION:

The City released a Request for Information (RFI) on September 20, 2021. The purpose of RFI 2128 was to gather general industry knowledge and best practices to better understand servicing options in the claims administration industry. The City received three responses by October 12, 2021. The City then asked the each of the three claims administration firms to give the City a brief presentation on the information they presented in their respective RFI responses to further understand industry servicing options. The City asked each of the participants to provide a proposal detailing information on their experience with similar type settlement agreements, familiarity with public entities, resources, and a demonstration of any accessible software applications available with the ability to track varying claims activity. RFP 2207 was released to the three firms on May 27, 2022, with proposals being due on June 10, 2022. All three firms submitted proposals.

Proposer	Proposer City	Proposed Cost (5 Year Term)	Evaluation Scores (Average)
Sedgwick Claims Management Services Inc.	Memphis, TN	\$282,900	84.30
Carl Warren & Company LLC	Santa Ana, CA	\$1,212,602	73.23
George Hills Company	Rancho Cordova, CA	\$1,302,500	68.20

After evaluation by the City, Sedgwick Claims Management Services, Inc. was the highest rated proposer and the City subsequently entered negotiations with Sedgwick Claims Management Services, Inc. on Monday, July 11, 2022. Negotiations were successful and the City desires to proceed with Sedgwick Claims Management Services, Inc. as the sole claims administrator for Parada related claims.

The Purchasing Manager concurs that the action to approve is in compliance with Purchasing Resolution No. 23812.

STRATEGIC PLAN ALIGNMENT:

The topics included in this report support **Strategic Priority 5 – High Performing Government** and **Goal 5.2:** Utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably throughout all geographic areas of the City.

This action aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The City engaged in the necessary procurement processes needed to ensure that the City was entering an agreement with a Claims Administrator who is equipped to assist the City in satisfying the Parada settlement terms.
2. **Equity** – The City will work with the selected Claims Administrator to develop and implement an equitable distribution strategy for current and former utility customers.
3. **Fiscal Responsibility** – The City performed extensive research to ensure accurate reporting of the GFT paid by each qualifying utility customer to form the basis for the claim payments.
4. **Innovation** – The City of Riverside will work collaboratively with the selected Claims Administration firm to deploy multiple forms of communication and resources to qualifying utility customers.
5. **Sustainability & Resiliency** – The City of Riverside is exploring various payment distribution options including varying frequency options in effort to optimize overall efficiency.

FISCAL IMPACT:

The total fiscal impact of this action is \$320,275. Sufficient funds are available within the Liability Insurance Trust Fund, City Attorney-Claim Management, Professional Services account no. 1310000-421000.

Prepared by: Kristie Thomas, Assistant Chief Financial Officer
Certified as to
availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial
Officer/Treasurer
Approved by: Edward Enriquez, Interim Assistant City Manager/Chief Financial
Officer/Treasurer
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Professional Services Agreement with Sedgwick Claims Management Services, Inc.
2. Sedgwick Claims Management Services, Inc. RFP 2207 Response
3. Notice of Intent to Award