



Legislation Text

File #: 0828-2008, Version: 1

Background: The Department of Human Resources, Employee Benefits / Risk Management, conducted a Request for Proposal (RFP) No. SA001701 in July of 2005 to obtain property insurance and loss control engineering services for select City properties. The City selected Arthur J. Gallagher Risk Management Services, Inc. to administer the property insurance policy, and pursuant to Ordinance No. 1137-2005, passed on 07/27/2005, entered into a contract with Arthur J. Gallagher Risk Management Services, Inc. for a one (1) year term commencing on 08/01/2005 and terminating on 07/31/2006. The contract provides for three (3) additional one (1) year renewal terms subject to annual appropriation of funds by City Council and the written agreement of both parties. The contract also allows for an annual 5% escalator clause.

In October 2007, the Department of Finance and Management Real Estate Management Office (REMO) assumed responsibility for the management of the City's casualty risk insurance. The City's current property coverage list was reviewed and a benchmark was established for determining what City properties should be included under the City's casualty insurance policy. All properties used in City operations supported by General Fund revenues were reviewed and selected for coverage based on the established benchmark. The building value and content value of each selected property was reviewed. A building value formula was applied to the building(s) for each property to establish the insured building value and building content formula was applied to establish the value for content insurance. In evaluating the City's risk exposure it was determined that coverage should be added at select locations to protect against loss of City vehicles stored/parked during evenings and weekends. Stored vehicle coverage was not provided as part of the City's 2007-2008 casualty loss policy. Analysis of the City's 2007-2008 policy indicated that the City's deductible for each loss occurrence was low by industry standards.

Effective January 1, 2008 the City's deductible was raised to \$250,000 per loss occurrence. This resulted in a reduction of the premium and a credit of \$32,957 that was applied toward the additional premium for coverage added January 25, 2008 for the City's new Fleet Management Facility at 4211 Groves Road. The remaining credit balance will be applied to the City's 2008-09 premium cost. Coverage for casualty loss to City vehicles stored/parked at eleven (11) locations has been added to the City's 2008-09 casualty loss policy. By adjusting the City's deductible to a range within industry standards, the City is able to increase its 2008-09 building and content coverage value by \$62,866,525 and add \$42,526,350 in coverage for stored vehicles for a total insured value of \$511,393,875, and still realize a 4% savings in premium cost compared with the 2007-08 premium cost. It has been determined that the modification and renewal of the contract at a cost of \$224,088 for the third and final one (1) year renewal term is in the best interest of the City and should be allowed. This legislation authorizes the Director of Finance and Management to modify the contract for the third and final one (1) year renewal term, and expend funds to renew the contract through July 31, 2009.

Arthur J. Gallagher Risk Management Services, Inc. solicited a quote from the City's current insurance carrier, Affiliated FM Insurance Co., to provide commercial property, content, and stored vehicle coverage for select City properties (see attachment ORD0828-2008Location List). The insurance coverage is effective from August 1, 2008 through July 31, 2009, the final year of the contract. A deductible of \$250,000 per each loss occurrence applies.

The Contract Compliance Number for Arthur J. Gallagher Risk Management Services, Inc. is 36-2102482 and has an expiration date of 06/02/2010.

Emergency action is requested to allow the Director of Finance and Management to modify and renew the property insurance and loss control engineering services contract, and provide funding to coincide with the beginning of the contract renewal.

Fiscal Impact: The funding for this one (1) year contract renewal was budgeted and funds are available within the Department of Finance and Management 2008 Budget. The financial obligation for this renewal is \$224,088. Pursuant to Ordinance No. 1137-2005, passed on 07/27/2005 the initial contract term authorized at a cost of \$216,967. Pursuant to Ordinance No. 1806-2006, passed on 10/25/2006, the contract was modified and renewed for the first of three (3) one (1) year renewal terms at a cost of \$212,169. Pursuant to Ordinance No. 1174-2007, passed on 07/25/2007, the contract was modified and renewed for the second of three (3) one (1) year renewal terms at a cost of \$233,642. The total amount of this contract including this current modification for the final one year renewal is \$886,866.

To authorize the Director of Finance and Management to modify the property insurance and engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. for the third and final one (1) year renewal of the contract commencing on August 1, 2008 and terminating on July 31, 2009, and to authorize the expenditure of \$224,088; and to declare an emergency. (\$224,088).

WHEREAS: pursuant to Ordinance No. 1337-2005, the City of Columbus entered into a contract with Arthur J. Gallagher Risk Management Services, Inc. for property insurance and loss control engineering services for a one (1) year term, commencing on August 1, 2005 and terminating on July 31, 2006. The contract provides for three (3) one (1) year renewal terms subject to annual appropriation of funds by City Council and written agreement of both parties; and,

WHEREAS: pursuant to Ordinance No. 1806-2006, the City of Columbus modified and renewed the contract with Arthur J. Gallagher Risk Management Services, Inc. for the first of three (3) one (1) year renewal terms commencing on August 1, 2006 and terminating on July 31, 2007; and,

WHEREAS: pursuant to Ordinance No. 1174-2007, the City of Columbus modified and renewed the contract with Arthur J. Gallagher Risk Management Services, Inc. for the second of three (3) one (1) year renewal terms commencing on August 1, 2007 and terminating on July 31, 2008; and,

WHEREAS: it has determined that the modification and renewal of the contract for the third, and final, one (1) year renewal term is in the best interest of the City; and,

WHEREAS: it is necessary to authorize the modification and renewal of the contract with Arthur J. Gallagher Risk Management Services, Inc. , and to authorize the expenditure of funds from the Department of Finance and Management 2008 Budget, and

WHEREAS: an emergency exists in the usual daily operation of the City of Columbus in that it is immediately necessary to authorize the Director of Finance and Management to modify and renew the property insurance and loss control engineering services contract in order to provide funding to coincide with the beginning of the contract renewal; now, therefore:

BE IT ORDAINED BY CITY COUNCIL OF THE CITY OF COLUMBUS

SECTION 1. That the Director of Finance and Management be, and hereby is, authorized to modify and renew the contract with Arthur J. Gallagher Risk Management Services, Inc., and to expend \$224,088.

SECTION 2. That the expenditure of \$224,088, or so much thereof that may be necessary in regard to the action authorized in Section 1, be and is hereby authorized and approved as follows:

Department: 45
Division: 45-51
Fund: 502
Subfund: 001
OCA Code: 450052
Object Level 1: 03
Object Level 3: 3392
Amount: \$224,088

SECTION 3. That the City Auditor is authorized to make any changes to revise the funding for any contract or contract modifications associated with this ordinance.

SECTION 4. That for reasons stated in the preamble hereto, which is hereby made a part hereof, this ordinance is hereby declared an emergency measure and shall take effect and be in force from and after its passage and approval by the Mayor or ten days after passage if the Mayor neither approves nor vetoes the same.