



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE  
OPERATIONS CLUSTER**

WILLIAM T FUJIOKA  
Chief Executive Officer

**DATE:** June 28, 2012  
**TIME:** 1:00 p.m.  
**LOCATION:** Kenneth Hahn Hall of Administration, Room 830

**AGENDA**

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting.  
Three (3) minutes are allowed for each item.

1. Call to order – Ellen Sandt
  
- A) **Board Letter – AUTHORIZATION TO ENTER INTO A SOLE SOURCE CONTRACT EXTENSION FOR GENERAL AND AUTO LIABILITY THIRD-PARTY ADMINISTRATOR SERVICES WITH CARL WARREN AND COMPANY**  
CEO – Risk Management – Laurie Milhiser
  
2. Public Comment
  
3. Adjournment



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

July 17, 2012

**DRAFT**

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**AUTHORIZATION TO ENTER INTO A SOLE SOURCE CONTRACT EXTENSION  
FOR AUTOMOBILE AND GENERAL LIABILITY CLAIMS ADMINISTRATION AND  
LEGAL DEFENSE MANAGEMENT THIRD PARTY ADMINISTRATOR SERVICES  
WITH CARL WARREN AND COMPANY  
(ALL DISTRICTS – 3 VOTES)**

**SUBJECT**

This recommendation by the Chief Executive Office (CEO) seeks the Board's authorization to amend the present contract with Carl Warren and Company (Carl Warren) effective as of August 15, 2012, to extend its term for an additional year, through August 14, 2013, in consideration of cost reductions and savings totaling four percent (4%) and mutually agreeable minor revisions to the contract.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Authorize the CEO to execute an amendment to extend contract number 74534 with Carl Warren for an additional one year, with reductions in compensation beginning August 15, 2012, and continuing through August 14, 2013. If the recommendation is approved by the Board, the total contract compensation for the entire period, July 1, 2012 through August 15, 2013, would be \$1,727,330, and a savings realized of \$71,973, compared to the current rate of compensation of \$1,799,303.
2. Direct the CEO to develop, distribute, and complete a new solicitation for general and auto liability claims management services prior to the contract's expiration date of August 14, 2013.

*"To Enrich Lives Through Effective And Caring Service"*

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Intra-County Correspondence Sent Electronically Only***

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The CEO has been working with County Counsel for several months to define the Scope of Work in the claims administrator's contract. This process has been complex and has required more time to complete than originally anticipated. Consequently, the Request for Proposals (RFP) for replacement of the Carl Warren contract has been delayed and cannot be completed prior to the expiration of the current agreement. Therefore, it is necessary to extend the current agreement. Carl Warren has agreed to extend the existing agreement under its current terms at a reduction of the contract amount by four percent (4%) in exchange for certain contractual changes and a full-year extension.

Furthermore, the contract with Risk Technologies, Inc. (RTI) to provide the County of Los Angeles' (County) a claims management system (Risk Management Information System [RMIS]), expires in December 2012. The replacement of this system is not anticipated to be fully functional until late 2013. County Counsel is the lead department on replacing the current claims management system. It is more reasonable to continue the contract with the existing Third Party Administrator (TPA) while the claims management system is replaced, rather than requiring a potential new vendor to learn the existing system then migrate to a new one in less than one year.

The purpose of the recommended action is to request the Board's authorization to extend the current contract for one additional year, through August 14, 2013, based on (1) a reduction of four percent (4%) in the compensation per annum to the contractor, and (2) mutually agreeable revisions to the contract to accommodate this reduction. By the end of this extended contract period, a formal solicitation for the services will be completed.

Under the current contract, Carl Warren is receiving \$1,799,303 per year through August 15, 2012. Upon the Board's approval of the recommended contract extension, the County will realize cost savings of four percent (4%), effective August 15, 2012 and through August 14, 2013.

Both the CEO and County Counsel have reviewed the contractor's past performance and remain satisfied with it. Carl Warren scored a 94 percent (94%) on the most recent independent audit. CEO and County Counsel have also reviewed the current contract requirements and have concluded that it has provisions which can be revised to achieve greater efficiencies. One of the revisions addresses contractor staffing levels. CEO and County Counsel determined that the previously County-mandated contractor staffing levels were not an efficient way of structuring such a service-based contract. The revised contract eliminates mandated staffing.

Based on the savings achieved through these negotiations, the continuing high quality of services provided by the contractor, the time constraints of the TPA RFP, and the anticipated replacement of the claims management system, the recommended actions are believed to be in the best interests of the County.

### **Implementation of Strategic Plan Goals**

The recommended actions requested herein are consistent with the County's Strategic Plan Goal 1, Operational Effectiveness; and Goal 2, Fiscal Responsibility; and allows for continuous high-level service to the County.

### **FISCAL IMPACT/FINANCING**

The contractor, Carl Warren, agreed to a four percent (4%) annual fee reduction in exchange for extending the contract for an additional one year. The County cost for the period of August 15, 2012 through August 14, 2013 will be \$1,727,330, a savings of over \$71,970 from the current annual fee.

In addition, Carl Warren agreed to reduce its rates for each new case file that exceeds the annual new case file maximum limits of 1,600 non-employment liability, 100 employee liability case files by sixteen percent (16%), and over ten percent (10%) respectively.

The total paid to Carl Warren for the Fiscal Year 2010-11 contract year was \$1,799,303.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On July 1, 2003, after a formal solicitation process, the Board approved contract number 74534 with Carl Warren for Automobile and General Liability Claims Administration and Legal Defense Management Services, effective August 15, 2003 through August 14, 2010.

In 2009, under the Countywide Contract Extension and Reduction Initiative, Carl Warren agreed to extend the contract for two years and reduce its fees by seven percent (7%) for the period of August 15, 2010 through August 14, 2012.

### **CONTRACTING PROCESS**

After a formal solicitation, the Board approved the current contract in July 2003, effective August 15, 2003. The contract has been amended on several occasions and the latest amendment was executed in July 2011, which allows for the current extension through August 14, 2012, upon which time the contract terminates. Should the

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recommended extension be authorized, the County will develop, distribute, and complete a new solicitation prior to August 2013.

**IMPACT ON CURRENT SERVICES**

The extension of the contract will ensure immediate cost reductions and continued high-level service to the County in the administration of its program related to general and auto and legal defense. Extension of the contract will also allow full testing of the new claims management system with the current contractor (Carl Warren).

**CONCLUSION**

Upon approval by the Board, please return two signed originals of the contract, and one adopted copy of the letter to CEO Risk Management Branch, attention Laurie Milhiser, County Risk Manager.

Respectfully submitted,

WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:ES  
LM:RC:tv

Attachments

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller  
Chief Information Officer

**AUTOMOBILE AND GENERAL LIABILITY CLAIMS ADMINISTRATION  
AND LEGAL DEFENSE MANAGEMENT SERVICES CONTRACT**

**AMENDMENT NO. 5**

**WHEREAS**, On July 8, 2003, the County of Los Angeles, hereinafter "County", entered into Contract No. 74534 with Carl Warren and Company, hereinafter "Contractor" for Automobile and General Liability Claims Administration and Legal Defense Management Services; and,

**WHEREAS**, the current Contract amendment will expire on August 14, 2012;

**WHEREAS**, County is currently soliciting for a successor Contract, but solicitation will not be completed on or before August 14, 2012;

**WHEREAS**, parties hereto mutually agree that it is in the best interest to extend the term of the Contract effective August 15, 2012 through August 14, 2013; and

**WHEREAS**, County and Contractor have determined that previously mandated staffing levels in the original Contract are not an efficient manner in structuring service and therefore, Section 15 et. seq. in the Statement of Work is hereby amended; and

**WHEREAS**, except for the Contract term, the Contractor fees, and County staffing mandates, the level of service provided to County by Contractor shall not change.

**NOW THEREFORE**, in consideration of the mutual benefits derived there from, it Contract No. 74534 shall be amended as follows:

1. **This Amendment No. 5 shall commence and be effective August 15, 2012.**
2. **Section 2 of the Contract, CONTRACT TERM, shall be deleted in its entirety and replaced with the following:**
  2. CONTRACT TERM
    - 2.1 The term of this Contract shall commence on August 15, 2003, and shall expire on **August 14, 2013**, unless sooner terminated, in whole or in part, as provided in this Contract.
    - 2.2 In the event of expiration or prior termination of the term of this Contract, the Contractor shall fully cooperate with the County to provide transition to whatever service replacement method the County determines to be in its best interest.

3. There shall be a reduction in the Contractor's annual fees by 4% resulting in a savings of \$71,973 and a total compensation of \$1,727,330 as compared to the current rate of \$1,799,303.

4. Section 19 (CONTRACTOR AVAILABILITY) of the Contract shall be deleted in its entirety and replaced with the following:

19. CONTRACTOR AVAILABILITY

19.1 Contractor's staff shall be accessible twenty-four (24) hours a day seven (7) days a week to the County Contract Administrator and/or other County staff for emergency consultation and immediate reporting of losses. During non-office hours, Contractor may assign for on-call duties Contractor staff who have been trained on the needs of the County rather than dedicated claims staff. Contractor's Claim Manager shall be immediately available to on-call staff for consultation.

19.2 The Contractor shall maintain normal office hours from 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding County holidays.

5. Section 15 (CONTRACTOR'S PERSONNEL), in Attachment A (Statement of Work) shall be deleted in its entirety and replaced with the following:

15. CONTRACTOR'S PERSONNEL

The Contractor shall designate appropriate staff including a designated Contract Manager, and other appropriate managers and Claims Staff, including claims supervisors, adjusters and support, as Contractor deems appropriate to properly perform its services under the Contract, including daily administration and supervision, administering and managing incidents, claims and lawsuits filed against the County, preparing for and attending roundtable meetings as necessary, processing and mailing of correspondence, entering data into the County's RMIS.

6. Section 16, (CONTRACTOR AVAILABILITY) in Attachment A (Statement of Work) shall be deleted in its entirety and replaced with the following:

16. CONTRACTOR AVAILABILITY

16.1 The Contractor shall have Contractor staff accessibility twenty-four (24) hours a day, to the County Contract Administrator and/or other County staff, for emergency consultation and immediate reporting of major and severe injury incidents. During office hours specified below, dedicated assigned Contractor claims staff shall be contacted. During non-office hours, Contractor may assign on-call

staff who may not be dedicated claim staff members, but are Contractor staff members who have been trained on the needs of the County. The Contract Manager or the Claims Manager shall be immediately available to the designated staff for consultation.

16.2 The Contractor shall maintain office hours from 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding County holidays.

7. **Attachment B-3, Contractor's Fees and Employee Benefits, is hereby deleted and replaced in its entirety by Attachment B-4, attached hereto and incorporated herein by this reference.**
8. **Except for the changes set forth herein above, the Contract shall not be changed in any respect by this Amendment No. 5.**

DRAFT

**IN WITNESS WHEREOF**, Contractor has executed this Amendment No. 5, or caused it to be duly executed and the County of Los Angeles, by order of the Board of Supervisors has caused this Amendment No. 5 to be executed on its behalf by the Chairman of said Board and attested by the Executive Officer-Clerk of the Board of Supervisors thereof.

**CARL WARREN & COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**COUNTY OF LOS ANGELES**

By. \_\_\_\_\_

Chairman

ATTEST:

SACHI A. HAMAI  
Executive Officer-Clerk  
of the Board of Supervisors

By: \_\_\_\_\_

Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI  
County Counsel

By: \_\_\_\_\_

Principal Deputy County Counsel

**CONTRACTOR'S FEES AND EMPLOYEE BENEFITS**

**PRICE SCHEDULE**

<b>CONTRACT YEAR</b>	<b>CPI/COLA<sup>A</sup></b>	<b>ANNUAL FIXED FEE</b>
Year 1 (2003-2004)	N/A	\$1,700,000
Year 2 (2004-2005)	0.00%	\$1,700,000
Year 3 (2005-2006)	2.52%	\$1,742,781
Year 4 (2006-2007)	2.48%	\$1,785,962
Year 5 (2007-2008)	4.01%	\$1,857,504
Year 6 (2008-2009)	3.00%	\$1,913,229
Year 7 (8/15/09 to 2/14/10)	0.00	\$1,913,229
Year 7 (2/15/10-to 8/14/10)	0.00	1,799,303 <sup>B</sup>
Year 8 (2010-2011)	0.00	\$1,799,303 <sup>C</sup>
Year 9 (2011-2012)	0.00	\$1,799,303 <sup>D</sup>
Year 10 (2012-2013)	N/A	\$1,727,330 <sup>E</sup>

**A** Denotes a cost of living adjustment that reflects the following:

1. The most recently published percentage change in the Bureau of Labor Statistics, Los Angeles-Riverside-Orange County Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) during the preceding calendar year; or
2. The general salary movement percentage for County employees as determined by the Chief Executive Office as of July 1 of the prior 12-month period.

Maximum adjustments will not exceed the increase allowed under Paragraph 21 (Cost of Living Adjustments (COLAs)).

**B** Fee reflects a seven percent (7%) decrease in the Annual Fixed Fee agreed to by Contractor and County effective 2-15-2010.

- C There will be no COLA adjustments for FY 2010-2011 per Chief Executive Office.
- D There will be no COLA adjustments for FY 2011-2012 per Chief Executive Office.
- E Fee reflects a 4 percent (4%) decrease in the Annual Fixed Fee agreed to by Contractor and County.

**CONTRACTOR'S FEES AND EMPLOYEE BENEFITS**

**FIXED-CASE FEE SCHEDULE\***

<b>CONTRACT YEAR</b>	<b>CPI/COLA<sup>A</sup></b>	<b>NEW NON EMPLOYMENT LIABILITY FIXED-CASE FEE</b>	<b>NEW EMPLOYMENT LIABILITY FIXED CASE FEE</b>
Year 1 (2003-2004)	N/A	\$800	\$1,500
Year 2 (2004-2005)	0.00%	\$800	\$1,500
Year 3 (2005-2006)	2.52%	\$820	\$1,538
Year 4 (2006-2007)	2.48%	\$840	\$1,576
Year 5 (2007-2008)	4.01%	\$874	\$1,,639
Year 6 (2008-2009)	3.00%	\$900	\$1,688
Year 7 (2009-2010)	0.00	\$837 <sup>B</sup>	\$1,570 <sup>B</sup>
Year 8 (2010-2011)	0.00	\$837 <sup>C</sup>	\$1,570 <sup>C</sup>
Year 9 (2011-2012)	0.00	\$837 <sup>D</sup>	\$1,570 <sup>D</sup>
Year 10 (2012-2013)	N/A	\$700	\$1,400 <sup>F</sup>

\* **For each additional case exceeding the annual maximum limit.**

<sup>A</sup> Denotes a cost of living adjustment that reflects the following:

1. The most recently published percentage change in the Bureau of Labor Statistics, Los Angeles-Riverside-Orange County Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) during the preceding calendar year; or
2. The general salary movement percentage for County employees as determined by the Chief Executive Office as of July 1 of the prior 12-month period.

Maximum adjustments will not exceed the increase allowed under Paragraph 21 (Cost of Living Adjustments (COLAs)).

- B Reflects a seven percent (7%) decrease in the Fixed Case Fee Schedule agreed to by Contractor and County.
- C There will be no COLA adjustments for FY 2010-2011 per Chief Executive Office.
- D There will be no COLA adjustments for FY 2011-2012 per Chief Executive Office.
- F Reflects decrease in the Fixed Case Fee for each new case over the specified maximum that agreed to by Contractor and County for the extension period.