

COMMISSION AGENDA

Item No: 4C

Meeting: 10/15/20

Date: September 30, 2020

To: Port Commission

From: Eric Johnson, Executive Director

Project Manager: Lou Paulsen, Director, Strategic Operations Projects and Risk Management

Subject: Authorization for Extension of Personal Services Contract No. 069614 with Alliant Insurance Services, Inc.

A. Purpose

Request authorization for the Port of Tacoma's Executive Director or designee to extend the term of Personal Services Agreement No. 069614 with the Alliant Insurance Services, Inc. for a period of nine (9) months ending October 1, 2021, and to increase the amount of the existing contract by \$57,549, for a total contract amount of \$581,227.50.

B. Background

The establishment of cost-effective risk transfer mechanisms is a key element of prudent risk management. Risk transfer may be obtained via indemnity (as found in various lease and service agreements) and through the procurement of insurance.

Insurance policies covering a range of property and casualty exposures are acquired and purchased with the support of an insurance broker. The broker assists in the identification and quantification of risks and markets the insured to prospective insurance carriers ideally to obtain the best available coverage at competitive pricing. For the Port, this has involved the development of manuscript policies tailored to the specific needs of the Port. Approximately 95% of the Port's costs of insurance are found in the insurance policy premiums with the remaining costs found in either a fee and/or commission for insurance brokerage services. The Port has chosen to compensate its insurance broker on a fee basis.

An insurance broker is expected to have a comprehensive understanding of the client's industry and scope of operations. Both are critically important to decision-making relative the selection of coverage types and limits, and long-term stability is generally rewarded by the insurance market (through the insurance rates applied). For this reason, client - broker relationships often extend into multiple years.

In early 2013, the Port of Tacoma undertook a competitive process resulting in the selection of Alliant Insurance Services, Inc. (Alliant) as the Port's property and casualty insurance broker.

On April 4, 2013, the Port Commission authorized an insurance brokerage services agreement with Alliant. Specifically, the Commission authorized an initial service term of three and one-half (3.5) years commencing June 30, 2013 and concluding December 31, 2016, and providing for up to two, two-year extensions. The original contract amount was \$228,145.50.

Based on the service quality and subsequent fee proposals provided by Alliant, the Port exercised both two-year contract extensions. The total cost of the initial two-year contract extension (expiring December 31, 2018) was \$143,941. The total cost of the second two-year contract extension (expiring December 31, 2020) was \$151,592. Both contract extension amounts were within the chief executive's authority based on the original authorization and as provided under the then current Master Policy Resolution. The decisions to exercise these extensions were each previously reported to the Port Commission.

Earlier this year, staff had planned to undertake a competitive selection process leading to the issuance of a new contract for brokerage services. A Request for Proposal advertisement date of March 12, 2020 was planned. The emergence of the COVID-19 pandemic made this competitive selection process (which customarily involves in-person interviews and site tours) impractical and a contract extension fee proposal was requested from Alliant.

On the basis of the continuing satisfactory performance of Alliant and the fee proposal provided, staff now requests authorization to issue a further nine (9) month extension to the existing brokerage services agreement in the amount of \$57,549 which will allow services to continue through October 1, 2021. The fee for this extension involves no increase in the current rate and is fully contemplated in the 2021 budget.

Assuming a general normalization of business activities following the current pandemic, staff plans to initiate and complete a competitive selection process resulting in the issuance of a new contract for services prior to the revised contract expiration. Any such contract will be subject to Commission approval.

The action is requested consistent with Section V (Policies Governing Financial Activities) of Master Policy Resolution 2020-11-PT (approved by the Commission on September 17, 2020), specifically sub-part E (Insurance Programs), which provides:

The Executive Director shall be authorized to work with the Port's designated insurance broker(s) to negotiate and obtain appropriate policies of insurance to manage the Port's property and casualty risks, provide employee benefits, and other coverage appropriately included within a comprehensive insurance program. All related contracts shall be authorized consistent with the delegations included in this resolution, excepting those categories of personal services contracts set forth in Resolution 2010-15.

And, in particular, Section IV (Policies Governing Authorization For Contracting, Projects, Procurement & Emergencies), Sub-Part E (3) which provides:

Any amendment to a Personal Services Contract must be filed with, approved by the Commission by a vote in public session and be made available for public inspection prior to the proposed starting date of services under the amendment if the Personal Services Contract:

- a. was approved by the Executive Director pursuant to Section IV (E)(1) herein above, and the amendment(s) individually or cumulatively will exceed 50% of the authorized amount and that amended cumulative amount exceeds \$300,000, or

b. was previously approved by the Commission because the contract's initial amount exceeded \$300,000 (emphasis added).

C. CONTRACT COSTS AND TERM SUMMARY

As described above, Personal Services Contract No. 069614 was authorized by the Commission on April 4, 2013. A cost summary of the original contract, subsequent authorized amendments and the requested action follows:

	Amounts	Terms and Considerations
Initial Contract	\$228,145.50	Three and one-half (3.5) years, concluding 12/31/16, with up to two, 2-year extensions as authorized by the Port Commission.
First Amendment	\$143,941.00	First two (2) year extension concluding 12/31/18, as authorized by the Port Commission.
Third Amendment	\$151,592.00	Second two (2) year extension concluding 12/31/20, as authorized by the Port Commission. Note: The Second Amendment to the Contract adjusted only the scope of services, allowing for employee training relative insurance provisions in procurement and lease contracts.
Sub-Total	\$523,678.50	Amount authorized and paid to-date.
Fourth Amendment	\$57,549.00	Nine (9) months, concluding 10/1/21; no change from current rate and budgeted for 2021. The amount now requested.
Total All Amounts	\$581,227.50	Subject to Commission approval of this requested action.

Of the above referenced \$581,227.50, all but the now requested \$57,549.00 has been authorized and expended. Thus, during the preceding seven and one-half years (7.5 years), ending December 31, 2020, the average annual cost for brokerage services has been \$69,824.

D. NEXT STEPS

Upon Commission approval of this requested action, staff will initiate and complete a competitive selection process, the results of which will be briefed to the Commission prior to the expiration of the now requested Fourth Amendment. At that time, the Commission will be presented with a request for approval of a new contract for insurance brokerage services.

E. NOTICE OF AMENDMENT

If the Commission approves this action, then, in accordance with the requirements of RCW 53.19.060(2), this memorandum and a copy of the contract amendment will be posted to the Port of Tacoma website at <http://www.portoftacoma.com/contracts>. The posting will be removed after February 1, 2021.

Please contact Lou Paulsen at 253.383.9449 should questions arise.