



# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Fahey and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager  
Marcie Scott, Human Resources Director

**FROM:** Howard Fishman, Risk Manager

**DATE:** May 17, 2005

**SUBJECT:** Authorize Renewal of Contract Agreements with Colen & Lee for Workers' Compensation and General and Auto Liability Claims Administration Services

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### **RECOMMENDATION:**

Staff recommends that the City Council authorize renewal of contract agreements with Colen & Lee to provide liability and workers' compensation Third Party Claims Administration services effective July 1, 2005 through June 30, 2008.

### **FISCAL IMPLICATION:**

The contract costs for workers' compensation are as follows:

- FY 2005-2006 = \$86,400 (9% increase from the previous year)
- FY 2006-2007 = \$89,856 (4% increase).
- FY 2007-2008 = \$93,450 (4% increase).

The contract costs for general liability are as follows:

- FY 2005-2006 = \$21,000 (9.25% increase)
- FY 2006-2007 = \$21,840 (4% increase)
- FY 2007-2008 = \$22,714 (4% increase)

The funds for the first year are allocated in the FY 2005-2006 budget and will be expended from the Insurance Fund.

### **BACKGROUND:**

In 1984, the City contracted with Colen & Lee to serve as its claims administrator. These contracts have been renewed on an annual or multi-year basis.

In 1999, the City decided to hire another workers' compensation claims administrator that would have provided the City with significant savings over the course of a three-year service agreement. However, this contract was terminated due to poor customer service and inability to produce accurate and timely reports. As a consequence of this termination, the City re-hired Colen & Lee.

**DISCUSSION:**

The current contracts with Colen & Lee will expire on June 30, 2005. The services under these contracts include acting as the City's agent in investigations, adjustments, litigation management and resolution of workers' compensation and general liability claims filed against the City. Over 90% of their clients are cities.

The following are advantages in renewing a multi-year contract with Colen & Lee:

- 1- The City of Manhattan Beach is a member of the Independent Cities Risk Management Authority (ICRMA). In 1998, the ICRMA conducted an extensive Request for Proposal process (RFP) to evaluate general liability and workers' compensation claims administrators. As a result, Colen & Lee was one of two vendors recommended as a preferred provider. Another RFP of workers' compensation administrators was conducted in February 2005 and Colen & Lee ranked in the top five.
- 2- Colen & Lee has continued to receive above average performance ratings based on annual audits conducted by the ICRMA.
- 3- Colen & Lee's familiarity with the City's operating methods and staff is an added benefit.
- 4- The multi-year agreements lock in a minimal 4% increase in the second and third year of the contract notwithstanding any jump in claims experiences or changes in State law.
- 5- Colen & Lee has taken a proactive role with the recently enacted State reform measures in Workers Compensation. They have implemented bill and utilization review programs resulting in savings to the City. During calendar year 2004, the City saved approximately \$410,000 due to the implementation of a medical bill review program. This program ensures that medical bills are not inflated and meet the State-mandated fee schedule. Additionally, for calendar year 2005, the City is projecting a savings of approximately \$46,000 due to the utilization review program. Utilization review is the process whereby doctor prescriptions (drugs, physical therapy sessions, x-rays, etc) are subjected to the recently enacted State medical standards to determine whether the treatment is appropriate and necessary. If the treatment is not deemed appropriate, the employer is not required to pay for it.
- 6- Colen & Lee will assist the City in establishing a Medical Provider Network (MPN) to generate future savings. The MPN is another program from the recent workers' compensation reform bill. The MPN allows employers to create a network of doctors who subscribe to the new medical standards recently adopted by the State. This also provides the City greater control over which doctor an employee may utilize for treatments.

Under the current agreement, the contracts with Colen & Lee may be renewed on the expiration date through an amendment modifying the provisions regarding compensation only. Attached are the Amendments to the contracts approved as to form by the City Attorney.

Attachment: Amendments to Colen & Lee Contracts

**THIRD AMENDMENT TO AGREEMENT FOR WORKERS' COMPENSATION  
CLAIMS ADMINISTRATION  
SERVICES**

The CITY OF MANHATTAN BEACH ("City") and COLLEN & LEE, INC., a California Corporation ("C&L"), (hereinafter collectively the "Parties") have previously entered into an Agreement for Workers' Compensation Claims Administration services ("Agreement") on May 1, 2000 which have been extended by Amendments until June 30, 2005.

WHEREAS, the parties are desirous of amending said Agreement to extend the term and compensation payable thereunder;

NOW, THEREFORE The Agreement is hereby amended to add a new paragraph 1 to read as follows:

1. TERM. This Agreement shall become effective as of July 1, 2005 and shall continue in effect through June 30, 2008 ending at midnight of said date. Thereafter it may be renewed annually on July 1 of each succeeding year by mutual consent of the parties.

12. CONSIDERATION. The City shall pay the Administrator \$7,200 per month (FY 2005-2006), \$7,488 per month (FY 2006-2007) and \$7,788 per month (FY 2007-2008) for services rendered under this Agreement.

All other provisions of the Agreement shall remain unchanged.

IN WITNESS WHEREOF this First Amendment to Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

CITY OF MANHATTAN BEACH

COLLEN & LEE, INC.

\_\_\_\_\_  
Geoff Dolan, City Manager

By \_\_\_\_\_

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Liza Tamura, City Clerk

\_\_\_\_\_  
City Attorney

**THIRD AMENDMENT TO AGREEMENT FOR LIABILITY CLAIMS  
ADMINISTRATION  
SERVICES**

The CITY OF MANHATTAN BEACH ("City") and COLEN & LEE, INC., a California Corporation ("C&L"), (hereinafter collectively the "Parties") have previously entered into an Agreement for Liability Claims Administration services ("Agreement") on July 1, 1997 which have been extended by Amendments until June 30, 2005.

WHEREAS, the parties are desirous of amending said Agreement to adjust the term and compensation payable thereunder;

NOW, THEREFORE The Agreement is hereby amended to add new paragraphs 1 and 12 to read as follows:

1. TERM. This Agreement shall become effective as of July 1, 2005 and shall continue in effect through June 30, 2008 ending at midnight of said date. Thereafter it may be renewed annually on July 1 of each succeeding year by mutual consent of the parties.

12. CONSIDERATION. The City shall pay the Administrator \$1,750 per month (FY 2005-2006) \$1,820 per month (FY 2006-2007) and \$1,893 per month (FY 2007-2008) for services rendered during the extended term of this Agreement. Payments shall be made by the 10<sup>th</sup> of the month billed."

All other provisions of the Agreement shall remain unchanged.

IN WITNESS WHEREOF this First Amendment to Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

CITY OF MANHATTAN BEACH

COLEN & LEE, INC.

\_\_\_\_\_  
Geoff Dolan, City Manager

By \_\_\_\_\_

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Liza Tamura, City Clerk

\_\_\_\_\_  
City Attorney

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**THIRD AMENDMENT TO AGREEMENT FOR LIABILITY CLAIMS ADMINISTRATION SERVICES**

The CITY OF MANHATTAN BEACH ("City") and COLEN & LEE, INC., a California Corporation ("C&L"), (hereinafter collectively the "Parties") have previously entered into an Agreement for Liability Claims Administration services ("Agreement") on July 1, 1997 which have been extended by Amendments until June 30, 2005.

WHEREAS, the parties are desirous of amending said Agreement to adjust the term and compensation payable thereunder;

NOW, THEREFORE The Agreement is hereby amended to add new paragraphs 1 and 12 to read as follows:

1. TERM. This Agreement shall become effective as of July 1, 2005 and shall continue in effect through June 30, 2008 ending at midnight of said date. Thereafter it may be renewed annually on July 1 of each succeeding year by mutual consent of the parties.

12. CONSIDERATION. The City shall pay the Administrator \$1,750 per month (FY 2005-2006) \$1,820 per month (FY 2006-2007) and \$1,893 per month (FY 2007-2008) for services rendered during the extended term of this Agreement. Payments shall be made by the 10<sup>th</sup> of the month billed."

All other provisions of the Agreement shall remain unchanged.

IN WITNESS WHEREOF this Third Amendment to Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

CITY OF MANHATTAN BEACH

COLEN & LEE, INC.

\_\_\_\_\_  
Geoff Dolan, City Manager

By *Barbara Colen*

ATTEST:

APPROVED AS TO FORM:  
*[Signature]*  
City Attorney

\_\_\_\_\_  
Liza Tamura, City Clerk

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**THIRD AMENDMENT TO AGREEMENT FOR WORKERS' COMPENSATION CLAIMS ADMINISTRATION SERVICES**

The CITY OF MANHATTAN BEACH ("City") and COLEN & LEE, INC., a California Corporation ("C&L"), (hereinafter collectively the "Parties") have previously entered into an Agreement for Workers' Compensation Claims Administration services ("Agreement") on May 1, 2000 which have been extended by Amendments until June 30, 2005.

WHEREAS, the parties are desirous of amending said Agreement to extend the term and compensation payable thereunder;

NOW, THEREFORE The Agreement is hereby amended to add a new paragraph 1 to read as follows:

1. TERM. This Agreement shall become effective as of July 1, 2005 and shall continue in effect through June 30, 2008 ending at midnight of said date. Thereafter it may be renewed annually on July 1 of each succeeding year by mutual consent of the parties.

12. CONSIDERATION. The City shall pay the Administrator \$7,200 per month (FY 2005-2006), \$7,488 per month (FY 2006-2007) and \$7,788 per month (FY 2007-2008) for services rendered under this Agreement.

All other provisions of the Agreement shall remain unchanged.

IN WITNESS WHEREOF this Third Amendment to Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

CITY OF MANHATTAN BEACH

COLEN & LEE, INC.

\_\_\_\_\_  
Geoff Dolan, City Manager

By Bernard Colen

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ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Liza Tamura, City Clerk

[Signature]  
City Attorney