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City of Las Cruces[®]
 PEOPLE HELPING PEOPLE

Council Action and Executive Summary

Item # 9

Ordinance/Resolution# 13-14-323

For Meeting of _____
 (Ordinance First Reading Date)

For Meeting of August 5, 2013
 (Adoption Date)

Please check box that applies to this item:

QUASI JUDICIAL LEGISLATIVE ADMINISTRATIVE

TITLE: A RESOLUTION APPROVING AN AMENDED SERVICE AGREEMENT WITH GALLAGHER BENEFIT SERVICES, INC. OF GREENWOOD VILLAGE, COLORADO FOR A PROJECTED COST NOT TO EXCEED \$43,000.00 PLUS APPLICABLE TAXES TO CONDUCT A COMPREHENSIVE COMPETITIVE BID AND ANALYSIS OF THE BENEFIT PROGRAMS AND AUTHORIZING A BUDGET ADJUSTMENT FOR FISCAL YEAR 2013/2014.

PURPOSE(S) OF ACTION:

Approve amended service agreement.

COUNCIL DISTRICT: N/A		
<u>Drafter/Staff Contact:</u> Andre Moquin	<u>Department/Section:</u> Human Resources	<u>Phone:</u> 528-3401
<u>City Manager Signature:</u>		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

An objective of the strategic plan is to be the employer of choice and promote attractive benefits and wages. The City participates in the benefit programs offered through the State of New Mexico. On July 1, 2013 health insurance premiums on these plans increased fifteen percent. The City contracted with Gallagher Benefit Services to provide consulting and actuarial services to evaluate these benefit programs when notification of the increase was received. This included a thorough review and analysis of group claims experience and administration of the plans. The initial research and analysis was completed in three months. The results of the study indicate that other benefit plan options may be more beneficial and cost effective.

The State of New Mexico requires participating agencies to provide ninety days notice to withdraw from participation on their plans prior to a plan renewal. New plans will become effective January 1, 2014. The City would be required to provide notice to the State to withdraw from participation no later than October 1, 2013.

Amending the initial contract will allow this consultant to continue to provide assistance in the evaluation of other benefit programs and options received as a result of a competitive bidding

(Continue on additional sheets as required)

consultant to conduct another initial study in 2014 with up to date claims history data. The earliest that the City would be able to change benefit programs would then be January 1, 2015.

SUPPORT INFORMATION:

1. Resolution.
2. Exhibit "A", Purchasing Manager's Request to Contract (PMRC).
3. Exhibit "B", Amendment to Service Agreement.
4. Exhibit "C", Service Agreement with Gallagher Benefit Services, Inc. dated March 5, 2013.
5. Exhibit "D", Budget Adjustment Request.

SOURCE OF FUNDING:

Is this action already budgeted?	Yes	<input type="checkbox"/>	See fund summary below
	No	<input checked="" type="checkbox"/>	If No, then check one below:
	<i>Budget Adjustment Attached</i>	<input type="checkbox"/>	Expense reallocated from: _____
		<input type="checkbox"/>	Proposed funding is from a new revenue source (i.e. grant; see details below)
		<input checked="" type="checkbox"/>	Proposed funding is from fund balance in the 6320 Employee Health Fund.
Does this action create any revenue?	Yes	<input type="checkbox"/>	Funds will be deposited into this fund: _____ in the amount of \$ _____ for FY _____
	No	<input checked="" type="checkbox"/>	There is no new revenue generated by this action.

BUDGET NARRATIVE

N/A

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
Employee Health	63101010-722190	\$45,000.00	\$45,000.00	.00	N/A

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this will amend the current service agreement and allow the City to continue to explore the options for employee benefit plans.
2. Vote "No"; this will delay the review and analysis of the benefit options and result in not meeting the 2013 deadline to withdraw from the State of New Mexico benefit plans.

(Continue on additional sheets as required)

3. Vote to "Amend"; this could modify the Resolution to reflect the wishes of the City Council.
4. Vote to "Table"; this would delay the review and analysis resulting in not meeting the 2013 deadline for withdrawal from State of New Mexico benefit plan.

REFERENCE INFORMATION:

N/A

RESOLUTION NO. 13-14-323

A RESOLUTION APPROVING AN AMENDED SERVICE AGREEMENT WITH GALLAGHER BENEFIT SERVICES, INC. OF GREENWOOD VILLAGE, COLORADO FOR A PROJECTED COST NOT TO EXCEED \$43,000.00 PLUS APPLICABLE TAXES TO CONDUCT A COMPREHENSIVE COMPETITIVE BID AND ANALYSIS OF THE BENEFIT PROGRAMS AND AUTHORIZING A BUDGET ADJUSTMENT FOR FISCAL YEAR 2013/2014.

The City Council is informed that:

WHEREAS, an objective of the strategic plan is for the City to be the employer of choice and promote attractive benefits and wages; and

WHEREAS, the City participates in the benefit programs offered through the State of New Mexico; and

WHEREAS, July 1, 2013 health insurance premiums on these plans increased fifteen percent; and

WHEREAS, the City contracted with Gallagher Benefit Services to provide consulting and actuarial services to evaluate these benefit programs and claims; and

WHEREAS, the initial study was completed in three months and indicates that other benefit options may be more beneficial and cost effective; and

WHEREAS, based on this study, the City seeks to conduct a competitive bid and analysis of benefit programs available; and

WHEREAS, the State of New Mexico requires participating agencies to provide ninety days' notice to withdraw from participation on their plans prior to a plan renewal; and

WHEREAS, new plans with the State of New Mexico will become effective January 1, 2014; and

WHEREAS, the City will be required to provide notice to the State of New Mexico

of a decision to withdraw from the benefit programs by October 1, 2013; and

WHEREAS, amending the initial contract will allow this consultant to continue to provide assistance in the evaluation of other benefit programs and options received as a result of a competitive bidding process; and

WHEREAS, any delay at this point in the process would require the City to procure services of a consultant to conduct another initial study in 2014 with up to date claims history data.

NOW, THEREFORE, be it resolved by the governing body of the City of Las Cruces:

(I)

THAT the Purchasing Manager is hereby authorized to contract with Gallagher Benefit Services, Inc. of Greenwood Village, CO by amending the current service agreement, Exhibit "C" attached hereto, in the signed Purchasing Manager's Request to Contract form, Exhibit "A", attached hereto.

(II)

THAT the Amendment to Service Agreement with Gallagher Benefit Services, Inc. of Greenwood Village, CO, Exhibit "B" attached hereto, to conduct a comprehensive competitive bid and analysis of the benefit programs is hereby approved.

(III)

THAT the budget adjustment request, as shown in Exhibit "D", attached hereto is hereby approved and adopted.

(IV)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the above.

DONE AND APPROVED on this _____ day of _____, 2013.

APPROVED:

Mayor

ATTEST:

City Clerk

(SEAL)

VOTE:

Mayor Miyagishima: _____

Councillor Silva: _____

Councillor Smith: _____

Councillor Pedroza: _____

Councillor Small: _____

Councillor Sorg: _____

Councillor Thomas: _____

Moved by: _____

Seconded by: _____

APPROVED AS TO FORM:



City Attorney

CITY OF LAS CRUCES

PURCHASING MANAGER'S REQUEST FOR CHANGE ORDER

For Meeting of: August 5, 2013

Resolution No.: 13-14-323

**Amendment to Existing Contract For
Comprehensive Competitive Bid and Analysis of Benefit Programs**

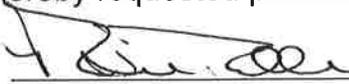
The Las Cruces City Council is provided the following information concerning this request:

BID/RFP SOLICITATION INFORMATION:

- 1. Original Bid/RFP & Due Date: N/A
- 2. Description of Bid/RFP: **Comprehensive Competitive Bid
and Analysis of Benefit Programs**
- 3. Contract Award: N/A
- 4. Contract Revision:
 - Previous Contract Award Amount (Excludes Tax) \$11,500.00
 - Amendment Amount: \$ 43,000.00
 - New Contract Amount: \$ 54,500.00
- 5. Contractor: **Gallagher Benefit Services, Inc.
of Greenwood Village, CO**
- 6. Using Department: **Human Resources**
- 7. Contract Duration: **Six Months**

PROCUREMENT CODE COMPLIANCE:

The City of Las Cruces Procurement Code was administered in the conduct of this procurement and approval to change the above contract is hereby requested pursuant to **Section 24-228.**


 Purchasing Manager 12/19/13
Date

CONFIRMATION OF FUND ENCUMBRANCE:

REQUISITION OR PURCHASE ORDER NUMBER:	14100435
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AMENDMENT TO

Service Agreement dated march 5, 2013.

This amendment, made this 28th day of June, 2013, by and between CITY OF LAS CRUCES and Gallagher Benefit Services, Inc..

WITNESSTH

WHEREAS, the parties desire to modify the terms and conditions and to add or delete certain other terms and conditions to their original Agreement dated March 5, 2013, the parties hereby agree as set forth below.

A. The following provisions are deleted: N/A

B. Section 2 is modified to read as follows:

SCOPE OF SERVICES:

In a satisfactory and proper manner, the CONTRACTOR shall perform additional SERVICES as proposed incorporated herein by reference and made a part of this Amended Agreement.

Section 4 is modified to read as follows:

The CITY shall compensate CONTRACTOR for the performance of additional SERVICES under this Agreement an amount not to exceed an additional \$43,000 plus applicable taxes.

Section 6 is modified to read as follows:

This Amendment shall become effective on June 28, 2013 for a term of six (6) months through December 28, 2013. CONTRACTOR shall perform the additional SERVICES in accordance with the time set forth as agreed upon by the CITY and CONTRACTOR as proposed in Exhibit C.

C. The following provisions are added: N/A



June 28, 2013

Mr. Andre Moquin
Director of Human Resources
City of Las Cruces

Re: Phase 2 - Benefits Competitive Bidding Project

Dear Andre:

Gallagher Benefit Services, Inc. is pleased to be propose to partner with the City in conducting a comprehensive competitive bid and analysis with respect to the City's benefit programs. The areas of analysis will include:

- Medical and prescription drugs – fully insured and self-funded, limited to a bundled, administrative services basis only, with the possible exception of stop-loss, which will be determined in the course of the project.
- Dental – fully insured and self-funded, limited to a bundled, administrative services basis only.
- Vision – fully insured and self-funded, limited to a bundled, administrative services basis only.
- Group term Life/AD&D insurance – basic and supplemental – insured only.
- Short & long term disability, as applicable/desired – insured only.
- COBRA administrative services.
- Health and dependent care flexible spending account administrative services.

Services will include:

- Initial objective setting (via conference call)
- RFP development
- Coordination with City procurement in solicitation of proposals
- Facilitation of responses/addendum, in response to written questions from prospective bidders
- Quantitative analysis of qualified proposals
- Summary of qualitative considerations of proposals of identified finalists
- Presentation of written findings
- Attendance/participation in finalist interviews
- Final negotiations, as permitted/directed

Assuming timely authorization to proceed, we would look to have analysis completed for presentation by no later than the end of August.

The fee for this project will be \$43,000, and contemplates up two trips for onsite meetings in Las Cruces. Fees will be payable in two equal installments, with the first installment to be



invoiced and paid in August, and the second installment to be invoiced and paid in September.

Any other services will be subject to our regular time charges, or as otherwise mutually agreed upon.

This letter serves to amend the Consulting Services Agreement established and entered into between the City and GBS in conjunction with our initial study. All remaining terms of the Agreement remain in place and with full effect.

Please indicate your acceptance by signing both copies of this Letter of Agreement, retain one copy for your records and return one copy to my attention.

We look forward to working with you.

Sincerely,

Don R. Heilman
Area Senior Vice President

Agreed to on behalf of the City of Las Cruces by:

Signature	Date	Title
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MAR 26 2013

HUMAN RESOURCES

SERVICE AGREEMENT

THIS AGREEMENT made and entered into on this March 5, 2013 by and between the City of Las Cruces, New Mexico, hereinafter called "CITY" and Gallagher Benefit Services, Inc., of 6399 South Fiddler's Green Circle Suite 200 Greenwood Village, Colorado 80111-4949, hereinafter called "CONTRACTOR".

1. PROJECT DESCRIPTION

The City seeks to enter into an agreement for a thorough review of the benefits currently being offered to City employees.

2. SCOPE OF SERVICES

In a satisfactory and proper manner, the CONTRACTOR shall perform SERVICES as proposed incorporated herein by reference and made a part of this Agreement and as set forth in Exhibit A.

3. APPROPRIATIONS

The terms of this Agreement are contingent on sufficient appropriations and authorization being made by the City Council for the performance of this Agreement. If sufficient appropriations and authorizations are not made by the City Council, this Agreement shall terminate upon written notice given by the CITY to CONTRACTOR. The CITY'S, decision as to whether sufficient appropriations and authorizations exist shall be accepted by CONTRACTOR and shall be final.

4. COMPENSATION

The CITY, shall compensate CONTRACTOR for the performance of SERVICES under this Agreement an amount not to exceed \$11,500.00 plus applicable taxes. CONTRACTOR shall perform the SERVICES upon receipt of a purchase order from the CITY. The CITY cannot authorize costs to be incurred prior to such purchase order.

CONTRACTOR is responsible for payment of State of New Mexico Gross Receipts Tax levied on the amounts payable under this Agreement. CONTRACTOR agrees to comply with all federal and state tax payments and report all items of gross receipts as income from the operations of its business.

5. DEVOTION OF ADEQUATE TIME

CONTRACTOR will devote the necessary hours each week to the performance of project that are required by the CITY, and it will serve the CITY, diligently and faithfully, and according to its best ability in all respects and will promote the best interests of the CITY.

6. TERM AND SCHEDULE

This Agreement shall become effective on March 5, 2013 for a term of six months (6) year through September 5, 2013. CONTRACTOR shall perform the SERVICES in

accordance with the time set forth as agreed upon by the CITY and CONTRACTOR in Exhibit B (and as agreed to for each project assigned under the terms of this Agreement).

7. EXTENSIONS, CHANGES, AND AMENDMENTS

This Agreement shall not be extended, changed, or amended except by instrument in writing executed by the parties. The CITY shall not be liable for payment of any extra services nor shall CONTRACTOR be obligated to perform any extra services except upon such written agreement. Such written approval shall indicate the date said extension, change, or amendment is effective and shall be signed by the parties to this Agreement. In the event that the parties cannot reach agreement as to a particular change, the issue shall be resolved pursuant to Article 21.

8. CHANGES AND EXTRA SERVICES BY THE CITY

The CITY may make changes within the general scope of the SERVICES plus may also request CONTRACTOR to perform other extra services not incorporated within the Services set forth in this Agreement. If the CONTRACTOR is of the opinion that such change causes an increase or decrease in the cost and/or the time required for performing the changes or other services required by the CITY, CONTRACTOR shall so notify the CITY, of that fact within five (5) business work days from the date of receipt of change by the CITY. The CITY shall provide written response to the CONTRACTOR within five (5) business work days from the date of receipt of CONTRACTOR'S written notification.

9. CHANGES AND EXTRA SERVICES BY THE CONTRACTOR

In the event a condition is identified by the CONTRACTOR which, in the opinion of the CONTRACTOR, changes the services, costs, and/or time required for performance under this Agreement, the CONTRACTOR shall provide written notification to the CITY within five (5) business work days of such identification. The CITY shall respond in writing to such notification within five (5) business work days from the date of receipt of CONTRACTOR'S notification.

10. DELAYS

In the event that performance of SERVICES is delayed by causes beyond reasonable control of CONTRACTOR, and without the fault or negligence of CONTRACTOR, the time and total compensation for the performance of the SERVICES may be equitably adjusted by written agreement to reflect the extent of such delay. CONTRACTOR shall provide the CITY, with written notice of delay pursuant to Article 9 including therein a description of the delay and the steps contemplated or actually taken by CONTRACTOR to mitigate the effect of such delay. The CITY will make the final determination as to reasonableness of delays.

11. TERMINATION

This Agreement may be terminated by either party hereto upon fifteen (15) calendar days written notice in the event of substantial failure by the other party to perform in accordance with the terms of this Agreement through no fault of the terminating party.

This Agreement may also be terminated by the CITY, for its convenience or because the PROJECT has been permanently abandoned, but only upon fifteen (15) calendar days written notice to CONTRACTOR.

In the event of termination, CONTRACTOR shall be compensated for all services performed and costs incurred up to the effective date of termination for which CONTRACTOR has not been previously compensated.

Upon receipt of notice of termination from the CITY, CONTRACTOR shall discontinue the SERVICES unless otherwise directed and upon final payment from the CITY, deliver to the CITY, the required number of copies of all data, drawings, reports, estimates, summaries, and such other information and materials as may have been accumulated by CONTRACTOR in the performance of this Agreement, whether completed or in process.

12. RECORDS AND AUDITS

CONTRACTOR will maintain records indicating dates, length of time, and services rendered. The CITY has the right to audit billings both before and after payment, and contest any billing or portion thereof. Payment under this Agreement does not foreclose the CITY'S, right to recover excessive or illegal payments.

13. DISCLOSURE AND OWNERSHIP OF DOCUMENTS, PRODUCTS, DESIGN, ELECTRONIC FILES

All technical data, electronic files, and other written and oral information not in the public domain or not previously known, and all information, electronic files, and data obtained, developed, or supplied by the CITY, will be kept confidential and CONTRACTOR will not disclose to any other party, directly or indirectly, without the CITY'S, prior written consent unless required by lawful order.

All technical data, electronic files, products developed, operational parameters, blueprints, and other information and work of the CONTRACTOR shall be the sole property of the CITY, and shall be delivered to the CITY, when requested and at the end of the Agreement.

14. INDEPENDENT CONTRACTOR

CONTRACTOR represents that it has, or will secure, at its own expense, all personnel required in performing the SERVICES under this Agreement. Such personnel shall not be employees of, nor have any contractual relationship with the CITY, CONTRACTOR, consistent with its status as an independent contractor, further agrees that its personnel will not hold themselves out as, nor claim to be officers or employees of the CITY, by reason of this Agreement.

To the extent that CONTRACTOR employs any employees, CONTRACTOR shall be solely responsible for providing its own form of insurance for its employees and in no event shall CONTRACTOR'S employees be covered under any policy of the CITY.

CONTRACTOR'S retention hereunder is not exclusive. Subject to the terms and provisions of this Agreement: (i) CONTRACTOR is able, during the Term hereof, to perform services for other parties; and (ii) CONTRACTOR may perform for its own account other professional services outside the scope of this Agreement.

CONTRACTOR is and shall be an Independent Contractor and shall be responsible for the management of its business affairs. In the performance of the work under this Agreement, CONTRACTOR will at all times be acting and performing as an Independent Contractor, as that term is understood for federal and state law purposes, and not as an employee of the CITY. Without limitation upon the foregoing, CONTRACTOR shall not accrue sick leave, jury duty pay, retirement, insurance, bonding, welfare benefits, or any other benefits, which may or may not be afforded employees of the CITY. CONTRACTOR will not be treated as an employee for purposes of: Workers' Compensation benefits; the Federal Unemployment Tax Act; Social Security; other payroll taxes, federal or any state income tax withholding; or the employee benefit provisions described in the Internal Revenue Code of 1986, as amended. Neither the CITY, nor its agents or representatives, shall have the right to control or direct the manner, details or means by which CONTRACTOR accomplishes and performs its services. Nevertheless, CONTRACTOR shall be bound to fulfill the duties and responsibilities contained in the Agreement.

15. NO JOINT VENTURE OR PARTNERSHIP

Nothing contained in this Agreement shall create any partnership, association, joint venture, fiduciary or agency relationship between CONTRACTOR and CITY. Except as otherwise specifically set forth herein, neither CONTRACTOR nor CITY, shall be authorized or empowered to make any representation or commitment or to perform any act which shall be binding on the other unless expressly authorized or empowered in writing.

16. ASSIGNMENT

CONTRACTOR shall perform all the services under this Agreement and shall not assign any interest in this Agreement or transfer any interest in same or assign any claims for money due or to become due under this Agreement without the prior written consent of the CITY.

17. INSURANCE

CONTRACTOR shall obtain and maintain insurance at its own cost and expense during the life of this Agreement, and shall require Subcontractors, if any, to maintain during the life of his subcontract:

1. \$1,000,000 (One Million Dollars) General Liability Insurance with the City named as an additional named insured with the same coverage as the CONTRACTOR.
2. \$100,000 (One Hundred Thousand Dollars) Property Damage Insurance.
3. In the case of any approved subcontract, the CONTRACTOR shall require the subcontractor to provide statutory Workers' Compensation and Employers' Liability Insurance, with the same limits as those required by the CONTRACTOR.

4. Worker's Compensation Per New Mexico Statute (3 or more employees)
 - \$1,000,000 - Bodily Injury: By Accident - Each Accident
 - \$1,000,000 - By Disease: Policy Limit
 - \$1,000,000 - By Disease: Each Employee
 - This coverage required for non-construction contractor with three (3) or more employees
 - Exception: Not applicable to out-of-state companies unless they are hiring in NM
5. The CONTRACTOR must immediately notify the CITY if insurance is canceled or not renewed.

The City must be named as additional insured - This coverage must be as broad as the coverage provided to the insured; coverage must be primary and non-contributory before any other insurance or self-insurance. A copy of endorsement for this coverage must be provided as a condition of this Agreement.

Waiver of Subrogation will apply and shall be noted on the certificate.

CONTRACTOR shall furnish the CITY, with a certificate(s) of insurance showing CONTRACTOR and Subcontractors, if any, have complied with this Article. The CONTRACTOR shall provide insurance certificates before work is to start on the project and shall provide the CITY thirty (30) days written notification of cancellation of such policies.

18. INDEMNITY AND LIMITATION

CONTRACTOR shall indemnify, defend, and hold harmless the CITY, from and against any and all claims, suits, actions, judgments, demands, losses, costs, expenses, damages, and liability caused solely by, resulting solely from, or arising solely out of the negligent acts, errors, or omissions of CONTRACTOR, its officers, employees, agents, or representatives in the performance of SERVICES under this agreement, as covered under the terms of the CONTRACTOR's General Liability policy.

Limitation of Liability. Notwithstanding any other term or provision of this Agreement, each party shall only be liable for actual damages incurred by the other party, and shall not be liable for any indirect, consequential or punitive damages. Furthermore, the aggregate liability under this Agreement, if any, of either party to the other for claimed losses or damages shall not exceed \$11,500.⁰⁰. This provision applies to the fullest extent permitted by applicable law.

19. APPLICABLE LAW

This Agreement and the rights and obligations of the parties shall be governed by and construed by the laws of the State of New Mexico applicable to Agreements between New Mexico parties made and performed in that state, without regard to conflicts of law principles. Venue shall be in the Third Judicial District, State of New Mexico.

CONTRACTOR shall abide and be governed by all applicable state law, CITY ordinances, and laws regarding the CONTRACTOR'S services or any work done pursuant to this Agreement.

20. BREACH

In the event CONTRACTOR breaches any obligation contained in this Agreement, prior to instituting any action or dispute resolution procedure, the CITY, shall give CONTRACTOR written notice of such breach. In the event CONTRACTOR fails to remedy the breach within five (5) working days of receiving such written notice, the CITY, at its sole discretion, without any obligation to do so and in addition to other remedies available under applicable law, may remedy CONTRACTOR'S breach and recover any and all costs and expenses in so doing from CONTRACTOR.

21. DISPUTE RESOLUTION

In the event that a dispute arises between CITY and CONTRACTOR under this Agreement or as a result of breach of this Agreement, the parties agree to act in good faith to attempt to resolve the dispute.

In the event of termination, CONTRACTOR shall be compensated for all services performed and costs incurred up to the effective date of termination for which CONTRACTOR has not been previously compensated.

Upon receipt of notice of termination from the CITY, CONTRACTOR shall discontinue the SERVICES unless otherwise directed and upon final payment from the CITY, deliver to the CITY, the required number of copies of all data, drawings, reports, estimates, summaries, and such other information and materials as may have been accumulated by CONTRACTOR in the performance of this Agreement, whether completed or in process.

22. NOTIFICATION

All notices required or permitted under this Agreement shall be in writing and shall be deemed sufficiently served if served by Registered Mail addressed as follows:

TO CITY: City of Las Cruces,
 PO Box 20000
 Las Cruces, NM 88004
 ATTENTION: Andre Moquin

With Copies to: Purchasing Manager

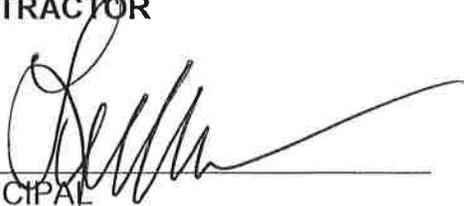
TO CONTRACTOR: Gallagher Benefit Services, Inc.
 6399 South Fiddler's Green Circle
 Suite 200
 Greenwood Village, Colorado 80111-4949
 ATTENTION: Don Heilman

23. SCOPE OF AGREEMENT

This Agreement incorporates all of the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof and that all such covenants, agreements, and understandings have been merged into this written agreement. No prior agreement or understanding verbal or otherwise of the parties or their agents shall be valid or enforceable unless embodied in this agreement.

CONTRACTOR

BY: _____
PRINCIPAL



DATE: _____

3/22/13

CITY OF LAS CRUCES

BY: _____
PURCHASING MANAGER



DATE: _____

3/29/13
12, 13102818

Approve as to Form


CITY ATTORNEY

EXHIBIT B

SCHEDULE

Services, deliverables and completion of work assigned shall be provided as proposed and as agreed to in writing pending amendment to this Agreement.



December 31, 2012

Ms. Karen Medina
Senior Buyer
City of Las Cruces
Las Cruces, NM 88001
Via email

Re: Employee Benefits Consulting & Actuarial Services: Health & Welfare Study

Dear Karen:

On behalf of Gallagher Benefit Services, Inc. (GBS), we are pleased to submit this proposal to provide consulting and actuarial services, in response to your email request. Our significance, relevant experience in working with other public employers in New Mexico, our knowledge of, and commitment to, the governmental sector, our depth of staff expertise, our extensive experience with self-funding, and our expertise and experience in facilitating and supporting collaborative efforts among multiple public employers, all distinctly qualify GBS to partner with the City on this important project.

It is important to note that, as of July 1, 2012, GBS was retained to provide ongoing consulting and actuarial services to the State of New Mexico. We have been authorized by the State to submit a proposal for your consideration. We are confident in our ability to provide objective, unbiased insight to the City, and in fact believe that our relationship with the State will enhance the efficiency and quality of our findings.

Given the above, we have prepared this proposal letter, which contains the following:

- About GBS
- Our Approach to Desired Scope of Services
- Our Team
- References
- Proposed Compensation

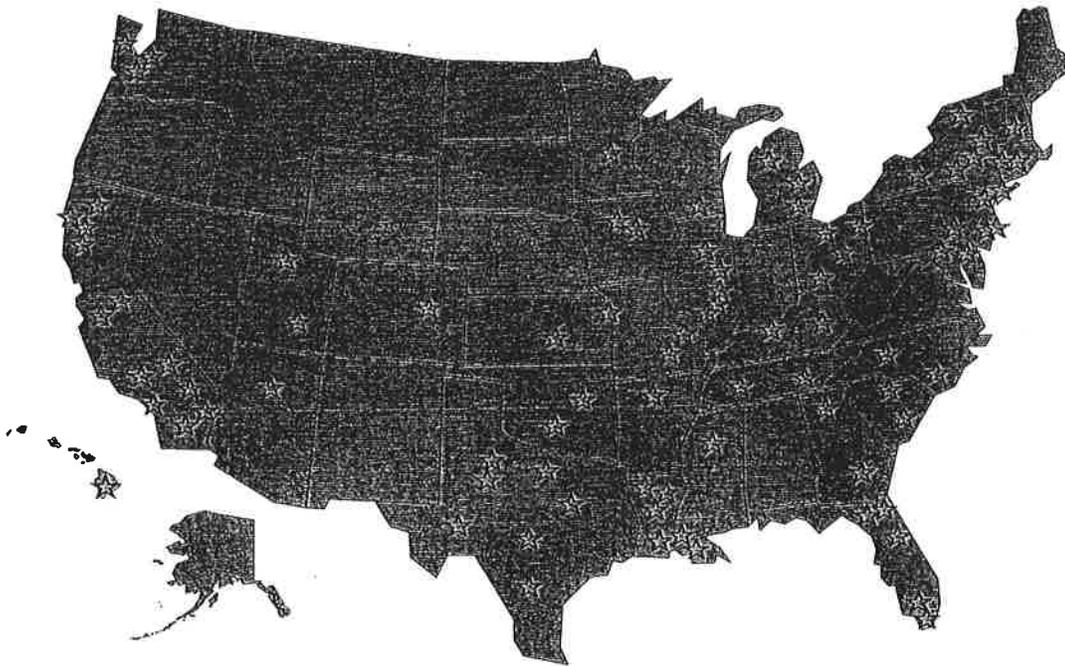
ABOUT GBS

ARTHUR J. GALLAGHER & CO.

With over \$2 Billion in annual revenue and 14,000 employees worldwide, Arthur J. Gallagher & Co. is among the largest insurance consulting, brokerage and risk management services firms in the U.S. Its stock is traded on the New York Stock Exchange under the symbol of AJG. The Gallagher companies plan, design and administer a full array of customized employee benefit and property/casualty risk management programs.

Clients include the most recognized and respected global corporations and governmental plan sponsors. Since its founding in 1927, Arthur J. Gallagher & Co. has earned a reputation in the industry of having unquestionable integrity and an unmatched focus on customer service.

Gallagher has offices throughout the nation. At the same time, we deliver services through a unique approach that combines an entrepreneurial spirit with a commitment to service.



GALLAGHER BENEFIT SERVICES, INC.

Gallagher Benefit Services, Inc. (GBS) is the division of Arthur J. Gallagher & Co. with expertise in benefit strategies, plan design, employee communications, administration and compliance. The organization has a very flat structure so that decisions affecting our clients can be made quickly. We at GBS believe that we offer our clients a structure that they might have designed themselves...focused expertise, a client-centric philosophy and financial strength on par with, or superior to any of our competitors.

Your GBS consulting team is based in our Denver, Colorado office. Our office has been one of the pre-eminent consulting firms across the entire Rocky Mountain Region for over 50 years, and is among our largest GBS offices. The tenure and experience of our professional staff is the envy of our industry, and is directly reflected in the number of long-term client partnerships we have enjoyed over the years.

Of particular importance, we are unparalleled in our experience in, and commitment to, the public sector. Both consultants assigned to the City's team are highly experienced in working with large governmental plan sponsors, and in particular, state health plans. In addition, over one-half of our Denver office revenue is derived from our public sector clients. Attached is an illustrative client listing specific to our Denver office.

Further, we are very familiar with the New Mexico marketplace. In addition to previous projects and our recent ongoing partnership with the State, members of our Denver office have worked in either an ongoing or project capacity for:

- New Mexico Public Schools Insurance Authority
- New Mexico Retiree Health Care Authority
- Albuquerque Public Schools
- University of New Mexico
- New Mexico State University
- University of New Mexico Hospitals
- City of Rio Rancho
- City of Farmington
- Los Alamos County
- Bernalillo County

Our combination of relevant experience and expertise uniquely qualify us for this engagement.

While we offer a comprehensive array of expertise locally, we work closely with other offices throughout the company to apply the best expertise in the industry to our clients' needs. Specific areas of expertise that we draw upon include:

- Dedicated Technical and Compliance Services
- Pharmacy Consulting
- Human Resources Consulting
- Actuarial Services

OUR APPROACH TO DESIRED SCOPE OF SERVICES

It is our understanding that the scope of work is to include the following:

- A study of anticipated rates based on current claims data
- The possibility of the City being fully- insured vs. self- insured and associated costs
- The level of stop loss coverage the City would need
- The City's claims to premium ratios
- The amount of 'upfront' funding required of the City to be self-insured
- The possibility of transitioning to advance payments of premiums vs. payments in arrears
- The possible financial impact of upcoming health care reform changes
- The possibility of affording to offer a cafeteria plan and FSA's
- The employer pool size needed to mitigate risk
- The possibility of pulling away from some state of NM benefits i.e. life insurance
- Recommendations on how to proceed

Having completed any number of comparable projects over the past several years, we are uniquely positioned to conduct this engagement. Our process is summarized below.

- Conduct a kickoff discussion (via conference call or onsite meeting – see below) to confirm expectations, deliverables, timing and key factors to be contemplated.
- Request, obtain and incorporate into our data bases updated enrollment and claims data. Given our existing relationship with the State, this process will be enhanced, both in terms of timing and quality of data.
- Assess claims over the most recent 24-month period, in terms of:
 - general trends
 - any enrollment affects – growth, migration
 - any plan design changes, and corresponding cost impact
 - large claims prevalence, overall and by carrier
- Obtain current fixed costs, along with any guaranteed or agreed upon changes to these costs for the applicable fiscal year.
- Compare total costs to recent premiums, and potential premiums if insured on a stand-alone basis.
- Provide an assessment of the viability and implications of self-funding for a group of the City's size, including issues associated with upfront funding requirements.
- Comment on other administrative considerations associated with providing benefits independent of the State.
- Comment on general eligibility provisions, along with implications of advance versus retrospective premium payments and implications.
- Comment on short-term and long-term requirements and implications under the PPACA – the health care reform legislation. Note that we have developed a comprehensive financial modeling tool to support planning and budgeting around PPACA. While this analysis is available to the City, we have not contemplated this work within the scope of this project.
- Comment on other pertinent considerations relative to the City's health and welfare program – including cafeteria plans, flexible spending accounts, COBRA, etc.
- Share possible approaches and key considerations for collaborating with other local/regional public employers in the design and delivery of employee benefits.

- Schedule/conduct an onsite meeting to deliver our findings.

Our report will include comments and recommendations on the overall program, as well as on an incremental basis – example: continuing participation in certain State offerings while offering other benefits on a stand-alone basis.

We would expect to have a draft report to you no more than 4-5 weeks from the date of receipt of the necessary information.

OUR TEAM

GBS will utilize a team approach in conducting this project. Key team members are noted below.

Mr. Don Heilman, Area Senior Vice President, will serve as the primary consultant. Don has worked for over 20 years in the employee benefits arena. He works extensively with any number of governmental plan sponsors across a multi-state region. Among clients he has served in a primary capacity are the State, NMSU, UNM Hospitals, and Bernalillo County – all in New Mexico, as well as the Town of Marana, AZ and the City of Billings, MT. He also has extensive experience in facilitating and supporting multiple collaboration efforts.

Mr. Bill Robinson, Area Senior Vice President, will work with Don, and be a key contributor to the analysis. Bill has over 25 years of experience, and works exclusively with large governmental employers. He currently serves as primary consultant for UNM, the City of Rio Rancho and Los Alamos County, and works with Don for the State and Bernalillo County.

Mike Rohr, Senior Technical Consultant and Unit Manager, will be primarily responsible for the data gathering and analysis. Mike serves in a comparable capacity for the State of New Mexico, and as such, is very familiar with their program and data. Further, through his work on each of the past two New Mexico Interagency Benefits Advisory Committee (IBAC) RFP projects conducted by GBS, is highly familiar with the existing vendors.

Glen Volk, FSA, will provide actuarial support and input, as required. Glen works with numerous clients and offices throughout GBS in conducting and/or overseeing analytical work, forecasting, plan modeling, etc.

Professional summaries are included.

REFERENCES

We are pleased to provide the following references, and will be happy to provide additional references upon request.

Bernalillo County

Charles Griffith, Benefits & Compensation Manager
505.468.1506
cgriffith@bernco.gov

City of Rio Rancho

Cecilia Evjen, HR Director
505.896.8713
cevjen@ci.rio-rancho.nm.us

New Mexico State University (project work)

Rene Yoder, Benefit Service Manager
575.646.2047
ryoder@nmsu.edu

PROPOSED COMPENSATION

GBS is proposing the following fees. Assuming one onsite meeting to present our findings, we are proposing a fee of \$9,500. It is determined that the kickoff meeting is also to be conducted onsite, the fee would increase to \$11,500. Travel costs are included in our fee.

Upon your review, please contact us with any questions, or should you wish to discuss.

Thank you for your consideration, and for the opportunity to partner with the City on this important project.

Sincerely,



Don R. Heilman
Area Senior Vice President
303.889.2686



William F. Robinson, Jr.
Area Senior Vice President
303.889.2724

Enclosures



ILLUSTRATIVE PUBLIC SECTOR CLIENTS SERVED BY GBS DENVER

COLORADO

- *Colorado Auditor's Office*
- *City of Aurora*
- *City of Golden*
- *City of Longmont*
- *City of Thornton*
- *Town of Castle Rock*
- *Adams County*
- *Douglas County*
- *Pitkin County*
- *Colorado Springs Utilities*
- *Academy School District*
- *Adams 14 School District*
- *Aurora Public Schools*
- *Boulder Valley Schools*
- *Cherry Creek Schools*
- *El Paso Schools #8*
- *Colorado State University*
- *Colorado Higher Education Insurance Benefit Alliance*
- *Community College and Occupational Education System*

OUTSIDE OF COLORADO

- *State of New Mexico*
- *State of North Dakota*
- *Oklahoma Employee Benefits Council*
- *City of Billings, MT*
- *City of Cedar Falls, IA*
- *City of Dubuque, IA*
- *City of Gillette, WY*
- *City of Henderson, NV*
- *City of Rio Rancho, NM*
- *City of Sioux City, IA*
- *Campbell County, WY*
- *Los Alamos County, NM*
- *Billings Public Schools, MT*
- *Rapid City Area School District, SD*
- *SE Polk Schools, IA*
- *Sioux City Schools, IA*
- *Socorro Independent Schools, TX*
- *National Conference on Public Employee Retirement Systems*
- *Campbell County Memorial Hospital, WY*
- *University of New Mexico Hospitals*
- *Texas A&M University*
- *University of New Mexico*



DON R. HEILMAN
AREA SENIOR VICE PRESIDENT



FIELDS OF EXPERTISE

- Self-funding
- Flexible benefits
- Paid time off design
- Retiree health
- Consumer driven health
- Health advocacy

AFFILIATION/DESIGNATIONS

- College and University Professional Association for Human Resources
- State and Local Government Benefits Association
- Colorado Healthcare Association for Human Resource Management
- Government Finance Officers Association
- Colorado Group Insurance Association
- Licensed Health & Life Agent

EXPERIENCE

- Eight years with GBS
- Over 20 years of experience in employee benefits
- Previously managed health programs for a state government

CREDENTIALS

- B.S. – Mathematics: UND
- Graduate work in statistics
- Author of numerous publications
- Frequent speaker:
 - IFEBP
 - CEBS
 - SHRM
 - SALGBA
 - GFOA
 - IPMA
 - PRIMA
 - NPELRA
 - CUPA-HR

ILLUSTRATIVE CLIENTS

- Array BioPharma, Inc.
- Billings Public Schools
- City of Billings
- CoBank
- Colorado College
- Colorado Springs Utilities
- Denver Newspaper Agency
- IHS
- Oklahoma Employee Benefits Council
- Pinnacle Assurance
- State of New Mexico
- University of New Mexico
- University of New Mexico Hospitals



**WILLIAM F. ROBINSON, JR.
AREA SENIOR VICE PRESIDENT**



FIELDS OF EXPERTISE

- Public Sector Health Consulting
Including:
 - Cost Management Strategies
 - Managed Care
 - Joint Purchasing Initiatives
 - Self-Funding
 - Flex Benefits
 - Competitive Bidding
 - Consumer Directed Health Plans (CDHPs)

AFFILIATION/DESIGNATIONS

- FLMI (Honors)
- RHU
- Licensed in CO, WY, NE, IA, NM, & NV

EXPERIENCE

- Twenty Plus Years of National Consulting Firm Experience
- Thirteen Years With National Carriers
- Three Years With National UR Firm

CREDENTIALS

- B.A. Economics (honors)
Univ. of California
- MBA: Anderson School (UCLA)

CLIENTS

- Associated School Boards of South Dakota
- Boulder Valley Schools, CO
- City of Des Moines, IA
- Iowa Association of School Boards
- National Conference on Public Employers Retirement Systems (NCPERS)
- Sioux City (IA) Schools
- State of Colorado
- State of New Mexico
- State of North Dakota PERS
- State of Oklahoma (EBC)
- University of New Mexico
- University of New Mexico Hospitals



**GLEN VOLK, FSA, MAAA
AREA VICE PRESIDENT
CONSULTING ACTUARY**

Glen is a Vice President & Consulting Actuary with APEX Management Group, a Division of Gallagher Benefit Services, Inc. He has 25 years of varied experience in the actuarial field, and has been with the Gallagher family of companies since April 2000.

Glen's primary responsibility with APEX is to work with plan sponsors in the design, pricing, and financial management of their benefit plans. He works with several Gallagher offices around the country, typically with their largest and most complicated clients. He also provides consulting support to health plans and provider organizations. Prior to joining Gallagher in 2000, Glen held various positions in the management consulting and insurance industries. He has extensive experience in managed care and in the reinsurance field. He has also served on several health care reform panels and committees.

EXPERIENCE

- Traditional Health and Welfare consulting to Plan Sponsors including underwriting and budgeting, plan design, and claim reserve development.
- Network evaluations for Plan Sponsors, with a focus on provider discounts.
- Provider negotiations for managed care plans, including risk arrangements.
- Preparation of a variety of rate filings for state and federal regulators for commercial and government health products.
- Retiree health plan design and valuation (GASB 45, FAS 106)

PRIOR POSITIONS

- Chief Actuary, Neighborhood Health Partnership
- Vice President, John Alden Insurance Company
- Assistant Vice President, Great American Reserve Insurance Company
- Consulting Actuary, A. Foster Higgins
- Actuarial Assistant, Confederation Life Insurance Company

EDUCATION AND PROFESSIONAL DESIGNATIONS

- B.S. in Mathematics, University of Regina (Saskatchewan)
- M. Math in Applied Mathematics, University of Waterloo (Ontario)
- Member of the American Academy of Actuaries (MAAA)
- Fellow of the Society of Actuaries (FSA)



**MICHAEL ROHR, CLU
SENIOR TECHNICAL CONSULTANT
UNIT MANAGER**



FIELDS OF EXPERTISE

- Claims & Funding Projections
- Development of Benefit Plan Design and Contribution Strategies
- Benefit Plan Change Pricing
- Claims Data Analysis

AFFILIATION/DESIGNATIONS

- Chartered Life Underwriter (CLU)
- Professional Member – Society of Financial Service Professionals
- Enrolled in Certified Employee Benefits Specialist Program (CEBS) – Wharton
- Health Insurance Association of America (HIAA) – Courses Group A, B, & C
- Licensed Life and Health Broker

EXPERIENCE

- Employee Benefits Underwriting Consultant since 1998
- Fourteen Years of Group Underwriting Experience with Major Regional Insurance Carriers; Thirteen Years with Mutual of Omaha, One with Guarantee Life
- Two Years of Experience as Agency Service Manager for Union Casualty Company
- One Year of Experience as Individual Sales Representative for Principal

CREDENTIALS

- Bachelor of Science – University of Nebraska, Lincoln, Business Administration

REPRESENTATIVE LIST OF CLIENTS USING UNDERWRITING SERVICES

- | | |
|-------------------------------|---|
| ➤ Aurora Public Schools | ➤ Forest Oil Corporation |
| ➤ Billings Public Schools, MT | ➤ Gary-Williams Energy Corp. |
| ➤ City of Billings, MT | ➤ Kaiser Foundation Health Plan of Colorado |
| ➤ City of Thornton | ➤ Los Alamos County, NM |
| ➤ Colorado State University | ➤ Spectrum |
| ➤ Denver Newspaper Agency | |

CITY OF LAS CRUCES
2013-14 Fiscal Year Budget

FUND	DIVISION		FUND TYPE	
Employee Health Fund 6320	Human Resources		Proprietary Funds Internal Services	
	2012-13 Projected	2013-14 Adopted	2013-14 Adjustment	2013-14 Amended
RESOURCES				
Beginning Balance	\$ 843,939	1,347,848		1,347,848
Revenues				
Miscellaneous Revenues	14,118	16,000		16,000
Operating Transfers In	600,000	0		0
Total Revenues	614,118	16,000	0	16,000
TOTAL RESOURCES	\$ 1,458,057	1,363,848	0	1,363,848
Expenditures				
Human Resources	55,209	74,029	45,000	119,029
Operating Transfers Out	55,000	779,684		779,684
Total Expenditures	\$ 110,209	853,713	45,000	898,713
Accrual Adjustments	0	0	0	0
ENDING BALANCE	\$ 1,347,848	510,135	(45,000)	465,135