

## AGENDA



Thursday, September 25, 2008

**Purchasing Office  
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 70

**Subject:** Authorize award, negotiation, and execution of a 12-month requirements service contract with WORTHAM INSURANCE AND RISK MANAGEMENT, Houston, TX for all risk property and boiler and machinery insurance and loss prevention services for Austin Energy in an estimated amount not to exceed \$2,350,273, with five 12-month extension options in estimated amounts not to exceed \$2,702,813 for the first extension option, \$3,108,235 for the second extension option, \$3,574,470 for the third extension option, \$4,110,641 for the fourth extension option and \$4,727,237 for the fifth extension option, for a total estimated contract amount not to exceed \$20,573,669.

**Amount and Source of Funding:** Funding in the amount of \$2,350,273 is available in the Fiscal Year 2008-2009 Operating Budget of the Human Resources Department. Funding for the extension options is contingent upon available funding in future budgets.

**Fiscal Note:** There is no unanticipated fiscal impact. A fiscal note is not required.

**For More Information:** Rosemary Ledesma, Supervising Sr. Buyer/512-974-2011, or Leslie Milvo, Risk Manager/512-974-3245.

**Purchasing Language:** Best evaluated proposal of two proposals received.

**MBE/WBE:** This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified: therefore, no goals were established for this solicitation.

This coverage will provide Austin Energy (AE) with property and boiler and machinery insurance for its \$1.5 billion in property values. The coverage is comprehensive in nature and provides all risk protection to include coverage for fire, flood, wind, hail, explosion, earthquake and collapse.

Additional services include property inspection services, review of structural plans to ensure compliance with established fire codes and safety standards, and jurisdictional boiler inspections. The current coverage provided by Wortham through Lloyds of London expires on October 1, 2008.

The proposed premium for Austin Energy's property and boiler and machinery insurance reflects a net rate reduction of 1.83% from the expiring insurance rate. This net rate reduction was applied to a property value increase of 14.28% and was offered after a year in which there have been four losses totaling over \$4 million. Premiums are estimated for the extension option years to include coverage for a projected future 3% increase in property values and a 12% per year rate increase.

The evaluation panel consisted of Human Resources Department, Risk Management, and AE staff who are experts in the insurance industry. The evaluation was based on coverage and limits proposed, ancillary services, carrier qualifications, and premium cost.

MBE/WBE solicited: 4/2

MBE/WBE Bid: 0/0

PRICE ANALYSIS

- a. Adequate competition.
- b. Fifty-two notices were sent, including four MBEs and two WBEs. Two proposals were received, with no response from the MBEs/WBEs.

**APPROVAL JUSTIFICATION**

- a. Best evaluated proposal received.
- b. The Purchasing Office concurs with the Human Resources Department's recommended award.
- c. Advertised in the Austin American-Statesman and on the Internet.