



**Purchasing Service Agreement  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 43  
AGENDA DATE: Thu 09/30/2004  
PAGE: 1 of 2**

**SUBJECT:** Authorize negotiation and execution of a 12-month service agreement with JOHN L. WORTHAM & SON, L.P., Houston, TX, through LI.OYD'S OF LONDON for all risk property and boiler and machinery insurance and loss prevention services for Austin Energy in an amount not to exceed \$2,588,893, with three 12-month extension options in an amount not to exceed \$2,681,115 for the first extension option, \$3,052,237 for the second extension option, and \$3,443,214 for the third extension option, for a total agreement amount not to exceed \$11,765,459.

**AMOUNT & SOURCE OF FUNDING:** Funding in the amount of \$2,588,893 is available in the Fiscal Year 2004-2005 Approved Operating Budget of Austin Energy. 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.

**REQUESTING** Purchasing **DIRECTOR'S**  
**DEPARTMENT:** for Human Resources; **AUTHORIZATION:** Vickie Schubert  
Austin Energy;

**FOR MORE INFORMATION CONTACT:** Leslie Milvo, Risk Manager, 974-3245 or Rosemary Ledesma, Senior Buyer, 974-2011

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

**PURCHASING:** Best proposal of four proposals received.

**MBE / WBE:** This contract will be awarded in compliance with Chapter 2-9 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.

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This coverage will provide Austin Energy with property and boiler and machinery insurance for its \$1.4 billion in property values. The coverage is comprehensive in nature and provides all risk protection to include coverage for fire, flood, wind, hail, explosion, earth movement, valuable papers and records, property in transit, and accounts receivable. Terrorism coverage at a \$500 Million limit is available for an additional annual premium of \$300,000 or a \$100 Million limit for \$196,000. This coverage has not been included in this procurement as Austin Energy management has assessed the risk and does not recommend purchasing it.

Additional services to be provided include property inspection services, review of proposed structural plans to ensure compliance with established fire codes and safety standards, and jurisdictional boiler inspections on boiler and machinery equipment and large transformers and generators. The current coverage provided by the John L. Wortham & Son expires on September 30, 2004.

The proposed premium for Austin Energy's property and boiler and machinery insurance reflects a decrease of 41%, or \$1,811,107, from the current year premium. This is due to the softening of the utility property insurance market worldwide, Austin Energy's installation and upgrading of major fire protection systems at all three power plants, and a record of three consecutive years without any property or boiler



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and machinery losses.

Premiums are estimated for the extension option years to include coverage for a projected future 3% increase in property values and a 10% per year rate increase.

The evaluation panel consisted of professional and managerial City staff who are experts in the insurance industry. The evaluation panel recommended John L. Wortham & Son, L.P. as the best proposer based on coverage and limits proposed, ancillary services, carrier qualifications and premium cost.

MBE/WBE solicited: 7/2

MBE/WBE Bid: 0/0

**PRICE ANALYSIS**

- a. Adequate competition.
- b. *Ninety-seven notices were sent including seven MBEs and two WBEs. Eight proposals were issued including no MBEs/WBEs. Four proposals were received.*
- c. A cost comparison to the current contract reflects a 41% decrease in premium cost for coverage *with the same insurance carrier.*

**APPROVAL JUSTIFICATION**

- a. Best evaluated proposal.
- b. The Human Resources Department, Risk Management division concurs with the recommended award.
- c. Advertised in the Austin American-Statesman and on the Internet.