

Purchasing Service Agreement CITY OF AUSTIN RECOMMENDATION FOR COUNCIL ACTION

AGENDA ITEM NO.: 29 AGENDA DATE: Thu 11/17/2005

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SUBJECT: Authorize negotiation and execution of a 12-month service agreement with JOHN L. WORTHAM AND SON, LLP, Houston, TX for excess liability insurance through Associated Electric & Gas Insurance Services Limited in an amount not to exceed \$456,751, with three 12-month extension options in an amount not to exceed \$502,426 for the first extension, \$552,669 for the second extension, and \$607,936 for the third extension, for a total agreement amount not to exceed \$2,119,782.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$456,751 is included in the Fiscal Year 2005-2006 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 Austin Energy;

AUTHORIZATION: Vickie Schubert

FOR MORE INFORMATION CONTACT: Rosemary Ledesma, Supervising Senior Buyer/974-2011

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: Only proposal 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.

This RCA requests approval for the purchase of excess liability insurance for Austin Energy in the amount of \$456,751 for the original policy period. Renewal insurance rates for the three extension options are estimated at \$502,426. \$552, 669, and \$607,936, respectively. The renewal rates are based on an anticipated 10% increase in premium per year.

This contract will provide \$35 Million in excess liability insurance coverage over a \$1 Million selfinsured retention for general liability, automobile liability, pollution liability and employers' liability exposures emanating from the operations of Austin Energy. This type of coverage is carried by utilities all over the country and is considered necessary coverage in order to protect Austin Energy since their operations are proprietary and their liability is not limited by the Texas Tort Claims Act. The operation of an electric utility is considered a proprietary function by the Act and the damage limits normally in place for municipalities do not apply to the utility operations.

The recommended insurance carrier's coverage form is tailored to the electric utility industry and is considered the broadest coverage available in the marketplace for electric utilities. The coverage form includes sudden and accidental pollution coverage as well as gradual pollution coverage. There are no exclusions pertaining to asbestos or PCB's. Coverage is also provided for failure to supply electricity.

MBE/WBE Solicited: 3/2

MBE/WBE Bid: 0/0

RCA Serial#: 10113 Date: 11/17/05 Original: Yes

Disposition:

Published: Thu 11/10/2005 Adjusted version published:



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PROPOSAL ANALYSIS

- a. Only proposal. Two potential proposers attended the pre-proposal meeting, neither of which submitted a proposal because they were not able to supply the insurance through their marketing efforts.
- b. Twenty-eight notices were sent, including three MBEs and two WBEs. Thirteen solicitations were issued, including no MBEs/WBEs. One proposal was received.
- c. The pricing offered represents a 50% increase from the last contract awarded in November 2001. The increase is attributed to extraordinarily high losses suffered throughout all aspects of the insurance market.

APPROVAL JUSTIFICATION

- a. The Human Resources Department and Austin Energy concur with the recommended award.
- b. Advertised in the Austin American-Statesman and Internet.

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