



# AGENDA REPORT

**TO:** Steven Falk  
Interim City Administrator

**FROM:** Ian Appleyard  
Director, HRM

**SUBJECT:** Workers' Compensation 3<sup>rd</sup> Party  
Administrator Agreement Extension

**DATE:** April 10, 2023

City Administrator Approval

Date: May 11, 2023

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Extend The Professional Services Agreement With JT2 Integrated Resources To Continue The Provision Of Workers' Compensation Administration Services For The Period July 1, 2023, Through June 30, 2025, In An Amount Of \$2,815,000.00 For Contract Year 2023-2024 And An Amount Of \$2,927,600.00 For Contract Year 2024-2025 For A Total Amount Over The Twelve Year Term Of The Contract Of \$27,119,264.60.**

## **EXECUTIVE SUMMARY**

The City of Oakland issued a Request for Proposals (RFP) for Workers' Compensation Third Party Administrator (TPA) Services on January 13, 2023. Responses for that RFP were due on February 13, 2023. Unfortunately, receipt and review of submissions were impeded by a significant cyberattack against City networks. As a result, the City could not view RFP submissions until March 8, 2023. Due to delays caused by the cyberattack, the City cannot complete a compliant RFP and execute a new contract by the end of the current fiscal year.

Accordingly, the resolutions accompanying this report authorize the City Administrator to extend the Professional Services Agreement with JT2 Integrated Resources (JT2). Staff proposes that the City Council authorize a two-year extension of the current services agreement with JT2 and incorporate a cost increase in year one of approximately 6% over the amount authorized by Oakland City Council [Resolution No. 88533 C.M.S.](#), approved March 2, 2021, and incorporate a cost increase in year two of 4% from the year prior. This extension provides price stability and aligns the contract with the City's two-year budget cycle.

After completion of a competitive process, and pursuant to the original legislation, extension of this agreement is permitted "upon acceptable performance" as determined by an independent audit and with City Council approval." The current term of the agreement expires June 30, 2023.

## **BACKGROUND / LEGISLATIVE HISTORY**

The Human Resources Management Department-Risk Division administers the City's Self-Insured Workers' Compensation Program. To support that administration, the City engages a Third-Party Administration firm, JT2, to provide services that ensure full compliance with the State of California workers' compensation laws and City negotiated labor agreements.

The City selected JT2 following a formal RFP process that took place in spring 2013. Under the RFP process, the City selected JT2 to continue providing Workers' Compensation Claims Administration Services, as they have provided since 2001.

The City Council awarded a TPA contract to JT2 on January 21, 2014, and authorized a two-year contract with options to renew for three additional two-year terms ([Resolution No. 84805 C.M.S.](#)). The adopted criteria for contract extensions were "acceptable performance" as determined by an independent audit and with City council approval. The original term ran from March 1, 2014, through February 29, 2016. The contract was subsequently extended for a one-year term, two two-year terms, and a 28-month term (Resolution Nos. [86020](#), [86590](#), [87571](#), [84805 C.M.S.](#)) through June 30, 2023.

HRM submitted a new RFP for TPA services to the Department of Workplace and Employment Standards (DWES) on December 7, 2022. DWES reviewed and released the RFP on January 13, 2023. RFP responses were due by February 13, 2023. Bidders were required to submit all material through the City's centralized vendor's database iSupplier.

On February 8, 2023, the City of Oakland's information technology (IT) infrastructure suffered a significant and widespread cyberattack. The attack affected nearly all City IT services, including iSupplier. Due to the attack, City personnel could not access or monitor iSupplier, and several vendors reported difficulties accessing and utilizing the service. iSupplier remained inaccessible to DWES personnel until March 8, 2023, when DWES personnel learned that only one bidder entered a proposal into the database.

The inability of vendors to properly submit bids invalidated the RFP. Additionally, the inability of the DWES to access submissions precluded the City from extending, canceling, or otherwise modifying the RFP. The City could not reissue the RFP because insufficient time remained before the end of the current TPA contract to issue a new RFP, evaluate and interview prospective partners, select a vendor, and negotiate an agreement. Due to the cyberattack, the City only had one course of action: to reject all bidders, renew its current contract with JT2, and schedule another RFP sometime in the future.

## **ANALYSIS AND POLICY ALTERNATIVES**

Staff recommends authorization of this contract extension because JT2 was found to provide acceptable performance by an independent audit. Staff recognizes that satisfactory performance is critical for this service and will continue to work closely with JT2 and PRISM to maintain the highest performance levels.

JT2 remains a valued partner as both a locally owned and operated business and as an organization familiar with the processes, procedures, and culture of the City of Oakland.

Moreover, the City benefited greatly from JT2's willingness to maintain flat-rate renewals over the past 3+ years.

Accordingly, staff recommends that City Council authorize a two-year extension of the current service agreement with JT2. Although this authorization postpones the issuance of a new RFP for TPA services to fiscal year 2024-2025, it is necessary and provides some advantages. Specifically, this authorization allows the City to stabilize TPA administration costs for the next two-year budget cycle and this option provides savings in the second year due to a negotiated 4% cost increase. This authorization also offers reasonable assurances to JT2 so that JT2 can efficiently structure and plan its operations.

Providing workers' compensation benefits is required by law, and proper administration ensures a compliant program. A compliant program supports City employees and promotes the City's priority to be a responsive government agency.

### **FISCAL IMPACT**

This contract extension will continue for two years and cost \$2,815,000.00 for contract year 2023-2024 and \$2,927,600.00 for contract year 2024-2025. Funding for this contract is budgeted within Fund 1150 – Workers' Compensation Insurance Claim Fund and no additional budgetary adjustment is necessary.

The Contract costs include all specified workers' compensation program administrative services and associated specialized professional services except for Managed Care Services and Return to Work/Transitional Duty Coordination Services, which are charged against individual claims as allocated costs. The contract amount also does not include Workers' Compensation benefits cost, as the costs of benefits are paid to employees on behalf of the City by the TPA rather than to the TPA for their administration services.

### **PUBLIC OUTREACH / INTEREST**

No public outreach opportunities are associated with this report further than the required publication on the City's website.

### **COORDINATION**

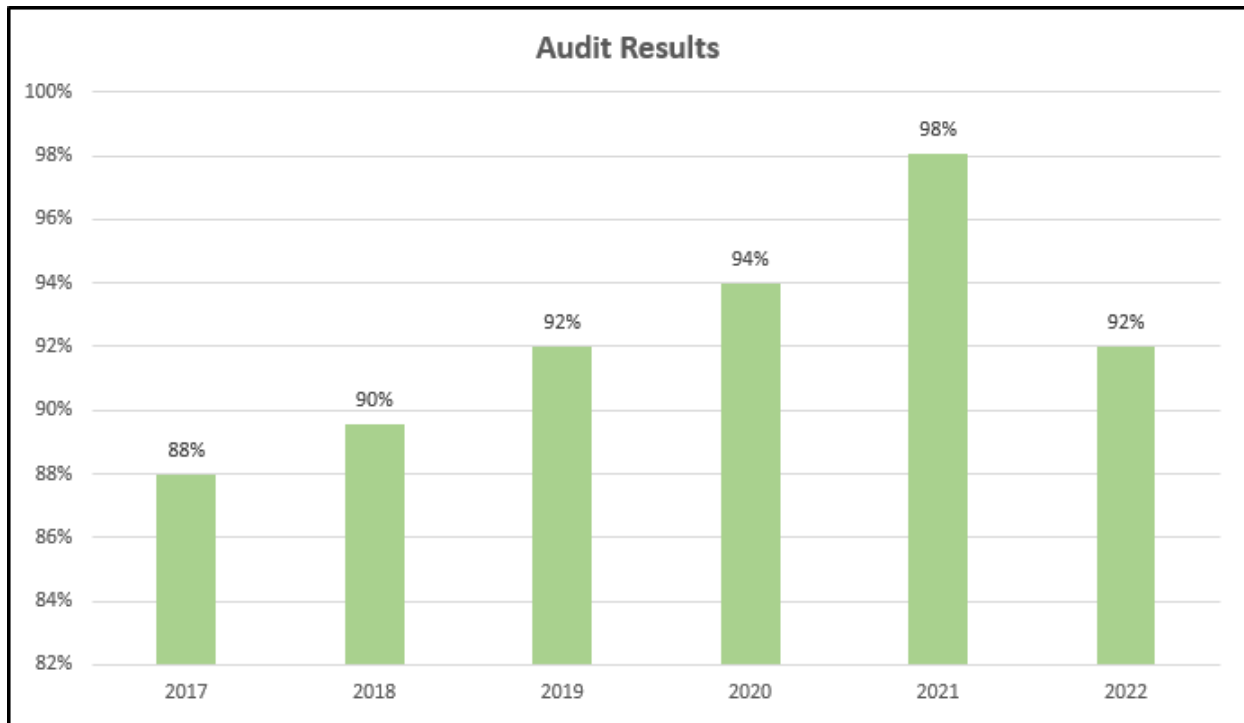
Development of this report was coordinated with internal staff in HRM, Controller's Bureau, City Attorney's Office, and City Administrator's Office.

### **PAST PERFORMANCE, EVALUATION AND FOLLOW-UP**

As occurred previously, the performance of the contract will be monitored by an annual audit and comprehensive file reviews. An independent auditor will conduct the annual audit in August each year. Comprehensive file reviews will continue for all open cases by Human Resources

Management (HRM), Risk Management, Public Risk Innovation, Solutions, and Management (PRISM), and JT2.

Additionally, JT2 has proven a competent and trusted partner. Audit scores from 2017 forward are:



### **SUSTAINABLE OPPORTUNITIES**

**Economic:** There are no economic opportunities associated with this report.

**Environmental:** There are no environmental opportunities associated with this report.

**Race & Equity:** No race and equity opportunities are associated with this report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Extend The Professional Services Agreement With JT2 Integrated Resources To Continue The Provision Of Workers' Compensation Administration Services For The Period July 1, 2023, Through June 30, 2025, In An Amount Of \$2,815,000.00 For Contract Year 2023-2024 And An Amount Of \$2,927,600.00 For Contract Year 2024-2025 For A Total Amount Over The Twelve Year Term Of The Contract Of \$27,119,264.60.

For questions regarding this report, please contact ANDREW LATHROP, RISK MANAGER, at (510) 238-7165.

Respectfully submitted,



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IAN APPLEYARD  
Director/Human Resources Management  
Department

Prepared by:  
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