

Memorandum

TO: Honorable Operations and Resources Committee

FROM: William M. Wolfson, Chief Administrative and Compliance Officer
Michael Tilley, Risk Manager

CC: Suzanne R. Coffey, P.E., Interim Chief Executive Office
Nicolette Bateson, Chief Financial Officer/Treasurer
Randal Brown, General Counsel
Sonya Collins, Procurement Director
Daniel Edwards, Procurement Manager

DATE: August 18, 2021

RE: **Response to Questions from Member Baker Regarding
Resolution 2021-326 - Proposed Change Order No. 3
Contract No. GLWA-CS-006 - Third Party Claims Administrator**

The above-referenced contract was review by the Operations and Resources Committee during its August 11, 2021 meeting. The Committee recommended to send the matter to the full Board of Directors, subject to receiving the following response to concerns raised by Member Baker:

1. Was the initial term of the contract 3 years rather than 2 years?

RESPONSE: Yes. The initial term of the contract was three years, from 1-1-2016 to 12-31-18. The contract aligned with the date on which GLWA assumed operational responsibility for the regional system. The Board letter has been revised to reflect this change.

2. Was the need for Change Order No. 3 caused by inaccurate estimating at the time of Change Order No. 2?

RESPONSE: Yes. When preparing any change order, GLWA reviews its experience and puts forth its best estimate of what future events may occur, the cost of those events, and other factors impacting those costs. The primary expense of this contract is a pass through of dollars necessary to resolve workers' compensation, general liability and auto liability claims asserted against GLWA.

As the Committee is also aware from the Risk Management Report for the Fiscal Year ending June 30, 2021 presented at the August 11th meeting, GLWA has had a favorable claims history and no unfavorable cost variances throughout its first 5 years.

The increase above the original estimate is attributable to the severity of the claims sustained during this period and the inability to provide appropriate light duty assignments given the nature of the injuries and work available. As indicated in the meeting, GLWA will review its available opportunities for light duty work to reduce the cost of claims going forward.