



AGENDA REPORT

Human Resources

DATE:	September 23, 2025
TO:	Mayor Martinez and Members of the City Council
FROM:	Nickie Mastay, Deputy City Manager – Internal Services Sharrone Taylor, Director of Human Resources
Subject:	Contract Amendment with George Hills Company, Inc. to General Liability Claims Administration
FINANCIAL IMPACT:	The proposed \$100,000 expenditure (for a total contract not to exceed amount of \$760,000) is included within the approved Fiscal Year 2025-2026. Human Resources Department, Risk Management Division will budget accordingly in subsequent Fiscal Year (Account String: 50182316 – 400201).
PREVIOUS COUNCIL ACTION:	July 2, 2024
STATEMENT OF THE ISSUE:	General liability claims, particularly complex ones, can take several years or even decades to resolve completely. Third-party administrators (TPAs) must manage the costs associated with ongoing claims services. The City Council’s approval is required to amend the not-to-exceed amount of the three-year contractual agreement with Geroge Hills Company, Inc.
RECOMMENDED ACTION:	APPROVE a contract amendment with George Hills Company, Inc. increasing the payment the limit by \$100,000, for a new not-to-exceed amount of \$760,000, for a term beginning July 1, 2024, through June 30, 2027, to provide third-party administration of general liability claims – Human Resources (Nickie Mastay/Sharrone Taylor 510-620-6602).

DISCUSSION:

On July 2, 2024, the City Council approved a contract with George Hills Company to manage the City's general liability insurance program. The adopted contract did not include the customary escalator clause, which would allow George Hills to review service fees and claims costs annually. This escalator is designed to ensure that the contractual amount aligns with the costs of claims and administration. Costs would be adjusted based on the Western Region Consumer Price Index (CPI), with annual increases capped at 5 percent (%) and not less than 3 percent (%).

Administrative costs are crucial for key services such as vetting medical vendors, managing contracts, conducting background checks, and handling all other administrative tasks related to coordinating care and managing claims. Additionally, the cost of claims can rise due to the volume of claims and other factors. General liability claims, particularly complex ones, can take several years or even decades to resolve completely. Third-party administrators (TPAs) must manage the costs associated with ongoing claims services. An escalator clause is essential for protecting the TPA's profitability and ensuring high-quality service over the long term.

The proposed contract amendment will increase the current three-year contract not-to-exceed amount from \$660,000 to \$760,000. This adjustment is necessary to ensure there are sufficient funds within the existing contract.

RECOMMENDATION:

City staff recommends amending the contract to allocate an additional \$100,000, resulting in a new not-to-exceed amount of \$760,000.

DOCUMENTS ATTACHED:

Attachment 1 – George Hills Company Contract

Attachment 2 – George Hills Company Contract Amendment One