




Office of the City Manager

CONSENT CALENDAR

July 18, 2006

To: Honorable Mayor and
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Claudette Ford, Acting Director, Public Works

Subject: Contract: Transit Benefits Program Administrator

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a three-year contract and any amendments in an amount not to exceed \$82,735 for the period of October 1, 2006 through September 30, 2009 to Conexis Benefits Administrators to administer the Transit Benefits Program for City employees; and any amendments for options to extend the contract for two additional one-year periods up to a maximum of five years, at the City's discretion, for a total contract amount not to exceed \$134,400.

FISCAL IMPACTS OF RECOMMENDATION

Funding for the transit benefits program is budgeted annually in the Payroll Deduction Trust Fund in budget code 930-9701-410-2091. The cost of the program is largely based on the number of employees enrolled, plus smaller annual expenses and optional marketing activity expenses. For budgetary purposes, the annual cost of the program is not to exceed \$27,714. The CMS number is NCJEJ.

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley has over 1,650 employees commuting to work locations throughout the City. The City's pre-tax Transit Benefits Program was established in 2003. Currently, approximately 475 employees are enrolled in the program. The cost of the program is shared among all funds as an employee benefit.

This program, in tandem with the City's Eco Pass Program, has had a significant effect on employee commute decisions, as shown by the 2005 City Employee Transportation Survey. As reported to Council on December 6, 2005, the survey indicates that the drive-alone rate for City employees has decreased from the 2001 rate of 47.4% to just 36.4% in 2005. 68.0% of survey respondents also ranked a financial allowance or subsidy as the incentive that would strongly encourage their use of alternate commute modes.

The City has contracted with Employee Benefit Specialists, Inc. (EBS), for third-party administration of the Transit Benefits Program since January 2003. The current contract with EBS expires on December 31, 2006.

In order to ensure a continuous program, the City released a Request for Proposals No. 06-10129-C in April 2006. The City received two proposals. EBS failed to submit a proposal. Staff has reviewed and ranked the proposals and scored the proposal from Conexis Benefits Administrators the highest, based on the experience of the firms, reference checks, project approach, fee proposal, and other factors.

BACKGROUND

The goal of the Transit Benefits Program is to provide City employees with a financial incentive to use public transportation or vanpools. This program is consistent with the City General Plan Policy T-11, which calls for the establishment of the City as a "Model Employer" in the area of trip and emission reductions.

Currently, benefited employees have the option of receiving a \$20 per month transit benefit and deducting additional pre-tax dollars of any amount they choose from their paycheck, up to a combined maximum of \$105.00 per month as allowed by the Federal IRS Code Section 132(f). Under the IRS regulations, employees can receive up to \$105 per month in pre-tax transit benefits. At this level, employees could reduce their annual taxable income by \$1,260 and reduce their income tax payments by up to \$500 (depending on their tax bracket.)

RATIONALE FOR RECOMMENDATION

Conexis Benefits Administrators was ranked highest by staff as noted above. Conexis has extensive experience in benefit program administration; they have been in business since 1986 and provide services to nearly 11,000 clients nationwide, ranging from small companies to those with more than 800,000 employees. In addition to their strong experience and positive references, their proposed fee is lower than the incumbent firm, EBS, and that of the other proposer.

The program proposed by Conexis is substantially different from the current City program. Instead of distributing Commuter Checks, which are vouchers for transit passes and vanpool expenses, Conexis would enable employees to order the transit passes they want online and receive them in the mail. This method removes the necessity of going to a vendor to purchase transit passes with the Commuter Checks received. Conexis offers a full range of transit and vanpool fare products for the San Francisco Bay Area.

ALTERNATIVE ACTIONS CONSIDERED

The Council could select the other RFP respondent, Wageworks, Inc., which is a qualified, well-regarded firm. City Council could also refuse to authorize a contract, which would require that staff either modify and reissue an RFP, or elect to administer this program using existing City staff. In 2000, staff analyzed the benefits and costs of using a third party administrator (TPA) versus administering the program in-house and concluded that contracting with a TPA would save approximately 230 hours per year.

CONTACT PERSON

Matt Nichols, Principal Transportation Planner, 981-7068
Peter Hillier, Assistant Public Works Director, 981-7010

Attachments:
1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT WITH CONEXIS BENEFITS ADMINISTRATORS TO ADMINISTER THE
TRANSIT BENEFITS PROGRAM

WHEREAS, the City's current contract for third-party administration of the Transit Benefits Program will expire on December 31, 2006; and

WHEREAS, the City desires to continue the program and contract with a third party administrator to administer the program; and

WHEREAS, a Request for Proposals was issued on May 2, 2006, and when bids were opened on May 25, 2006, Conexis Benefits Administrators was determined to be the best qualified firm; and

WHEREAS, funds are budgeted annually in the Payroll Deduction Trust Fund in budget code 930-9701-410-2091, and the CMS number for the contract is NCJEJ.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the City Manager to execute a three-year contract and any amendments in an amount not to exceed \$82,735 for the period of October 1, 2006 through September 30, 2009 to Conexis Benefits Administrators to administer the Transit Benefits Program for City employees; and to execute any amendments necessary to approve an option to extend the contract for two additional one-year periods up to a maximum of five years, at the City's discretion, for a total contract amount not to exceed \$134,400. A record signature copy of said agreement and any amendments to be on file in the Office of the City Clerk.