



Office of the City Manager

CONSENT CALENDAR

November 14, 2006

To: Honorable Mayor and  
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: David W. Hodgkins, Director, Human Resources

Subject: Contract: Dependent Care Assistance Plan Third Party Administrator

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments with HealthComp Inc. in an amount not exceed \$5,000 to provide administrative services for the City of Berkeley's Dependent Care Assistance Plan for January 1, 2006, through December 31, 2007.

FISCAL IMPACTS OF RECOMMENDATION

The administrative fee is \$6.00 per participating employee, per month (or minimum of \$150.00 per month, which ever is more), for a total estimated cost of \$5,000 for calendar years January 1, 2006, through December 31, 2007. The reason for seeking the City Council's approval is because the aggregate fees paid over the ten years HealthComp has administrated this Plan will be over \$25,000. Expenditures for this contract are paid out of the Payroll Deduction Trust Fund budget code 930-9701-410-2090.

CURRENT SITUATION AND ITS EFFECTS

The City provides a pre-tax dependent care assistance plan that allows eligible employees to contribute pre-tax monies to pay costs related to dependent care. The City has contracted with HealthComp Inc. since September 1, 1997, to administer this plan. HealthComp Inc. is responsible for enrolling the eligible employees, coordinating the benefit with the amounts the employee contributes, reconciling, and reimbursing the employees directly.

HealthComp Inc. is aware of the City's budget concerns and has agreed to continue to provide administrative services through December 31, 2007, at the current rate of \$6 per participating employee. Participation has been as high as 45 participants, but currently there are 30 participants in the plan.

BACKGROUND

On May 1, 1988, the City established a Dependent Care Assistance Plan under Internal Revenue Code Sections 125 (Cafeteria Plans) and 129 (Dependent Care Assistance Plans) to allow its employees to elect to have a portion of their salary put aside each pay period on a pre-tax basis, for reimbursement of their childcare or eldercare expenses.

The City hired L & H Administrators to administrate the plan, but in 1997 L & H went out of business. The Human Resources Department contacted eight Third Party Administrators, eventually interviewing four of them who met the necessary requirements. HealthComp was chosen because they were currently providing services for a number of cities and public agencies, and they were agreeable to handling the reconciliation of records from the previous administrator. They also were already working with other public agencies who were former customers of the previous administrator, their processing and reporting technology was high (able to pay benefits as frequently as we liked and included a 24-hour toll-free number), they met all standard contract requirements, and they were the least expensive bid. The City has been very satisfied with the service HealthComp has provided so far.

RATIONALE FOR RECOMMENDATION

The Dependent Care Assistance Plan is an employee benefit authorized under the City of Berkeley Municipal Code Chapter 4.40.100 et seq. HealthComp Inc. has only increased their administrative fee three times in the ten years they have administered the plan, moving from \$4.00 per participant to \$6.00 per participant.

ALTERNATIVE ACTIONS CONSIDERED

Staff is exploring options with our health benefits insurance broker, RealCare Insurance Marketing, Inc., to offer a separate voluntary benefits package that would include this Dependent Care Assistance Plan at no cost to the City.

CONTACT PERSON

David W. Hodgkins, Director of Human Resources, Human Resources, (510) 981-6805

Attachments:

1. Resolution

RESOLUTION NO. -N.S.

CONTRACT: DEPENDENT CARE ASSISTANCE PLAN THIRD PARTY  
ADMINISTRATOR

WHEREAS, the Dependent Care Assistance Plan is an employee benefit authorized under the City of Berkeley Municipal Code Chapter 4.40.100 et seq.; and

WHEREAS, the City has contracted previously with HealthComp Inc. to provide administrative services to the Dependent Care Assistance Plan; and

WHEREAS, Article XI, Section 67.5 of the Charter of the City of Berkeley and Section 7.18.010 of the Berkeley Municipal Code require City Council authorization by Resolution of expenditures in excess of \$25,000 by contract authorized by Resolution of the City Council; and

WHEREAS, the aggregate fees paid for the administration of this Plan since 1997 will reach \$25,000; and

WHEREAS, funds are available in the current budget in the Payroll Deduction Trust Fund Budget Code 930-9701-410-2090.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby approves a contract with HealthComp Inc. to provide administrative services to all eligible employees under the Dependent Care Assistance Plan in an amount not to exceed \$5,000 for the period of July 1, 2006 through December 31, 2007.

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments reflecting these rate increases to be on file in the Office of the City Clerk.