



# REPORT TO COUNCIL

## City of Sacramento

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915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

Consent  
September 12, 2006

Honorable Mayor and  
Members of the City Council

**Title: Agreement: Workers' Compensation Claims Software Upgrade**

**Location/Council District: All**

**Recommendation:** Adopt a **Resolution: 1) suspending competitive bidding; and 2)** authorizing the City Manager to execute an agreement with GenSource, a division of StrataCare for a workers' compensation software program upgrade and maintenance term of thirty six (36) months with the City's option to renew for two (2), twelve (12) month periods at a cost not to exceed \$367,205 for the initial three (3) years.

**Contact:** Patrick Flaherty, Risk Manager, 808-8587

**Presenters:** N/A

**Department:** Human Resources

**Division:** Risk Management

**Organization No:** 1542

### **Description/Analysis**

**Issue:** The City currently owns a GenSource Workers' Compensation Claims Management System License which City staff utilize to process the City's workers' compensation claims. The system is eight years old and needs to be upgraded to a web based system, which will improve speed, functionality and provide data warehousing capabilities. The upgraded system will allow for better electronic interchange of data as required by the State of California. Additionally, the current system is difficult to maintain and GenSource will only provide limited support for the system.

**Policy Considerations:** It is in the city's best interest to suspend competitive bidding and upgrade our current workers' compensation claims system for the following reasons:

- GenSource is the only company capable of upgrading and maintaining the City's current system, which is a GenSource system.



- The current system is outdated, slow, and difficult to maintain. The new system is a web based system that will allow GenSource to provide periodic system upgrades without the need of City staff.
- Upgrading our current system will cost \$50,000, which is much less expensive than buying a new system, which can cost in the range of \$400,000. The current system was originally competitively bid.
- The upgraded system will enhance our ability to comply with state workers' compensation reporting requirements. The projected annual cost of \$7,000 per year is similar to the cost we currently pay to transmit the required data.
- City staff has previewed the upgraded system and it is faster and contains elements that will increase efficiency and functionality. This will allow City staff to provide better customer service.
- Potential E-Caps vendors do not have the capability to provide workers' compensation claims processing functionality. Additionally, the City IT department worked with Risk Management and the City Attorney's Office (CAO) in formulating the GenSource contract language.

**Environmental Considerations:** None

**Rationale for Recommendation:** The City of Sacramento will benefit from upgrading the current workers' compensation claims processing system. The current system is difficult to maintain, outdated, and will soon become obsolete. Upgrading the current system is much less expensive than purchasing a new system.

**Financial Considerations:** The annual cost under this agreement is estimated at \$ 168,735 for the first year (FY07), which includes the one time cost of \$50,000 to upgrade the current system and the monthly ASP subscription fee of \$6,200. The subscription fee, which is \$1,659 more than the current fee, will remain fixed for three years under the new agreement. The proposed current year expenditure is within the allocated Risk budget.

The annual costs for years two and three are estimated at \$99,235. Price increases for the two, twelve month renewals will be negotiated at that time, should the City decide it wants to renew the contract.

**Emerging Small Business Development (ESBD):** GenSource is not an ESBD.



**RESOLUTION NO.**

Adopted by the Sacramento City Council

**AUTHORIZING WORKERS' COMPENSATION CLAIMS SOFTWARE UPGRADE**

**BACKGROUND**

- A. The City of Sacramento currently owns a GenSource Workers' Compensation Claims Management System License which staff utilizes to process the City's workers' compensation claims. The system is eight years old and is outdated, difficult to maintain, will soon become obsolete, and needs to be upgraded. As this is a GenSource system, only GenSource is capable of upgrading and maintaining it.
- B. It is in the best interest of the City of Sacramento to upgrade the current system.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. In the best interests of the City, competitive bidding is suspended for workers' compensation software program upgrade and maintenance.
- Section 2. The City Manager is authorized to execute an agreement with GenSource, a division of StrataCare for a workers' compensation software program upgrade and maintenance term of thirty six (36) months with the City's option to renew for two (2), twelve (12) month periods at a cost not to exceed \$367,205 for the initial three (3) years.

EXHIBIT A

PROJECTED COST FOR GENSOURCE PROGRAM

| COST ITEM  | Particulars                                | Year 1        | Year 2       | Year 3       |
|--|--|---------------|--------------|--------------|
| Upgrade<br>Maintenance                           | See 02-21-06 GS<br>proposal                | \$<br>50,000  | \$<br>-      | \$<br>-      |
| GCFW   | \$6200 x 12 mo + \$2835<br>See 05-26-05 GS | \$<br>77,235  | \$<br>77,235 | \$<br>77,235 |
| SROI- FROI (1)                                   | proposal                                   | \$<br>15,500  | \$<br>7,000  | \$<br>7,000  |
| Staff Training                                   | See 02-21-06 GS<br>proposal                | \$<br>16,000  | \$<br>5,000  | \$<br>5,000  |
| State Mandated<br>Programming &<br>Customization |  | \$<br>10,000  | \$<br>10,000 | \$<br>10,000 |
| Total  |  | \$<br>168,735 | \$<br>99,235 | \$<br>99,235 |