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FINANCE, BUDGET AND EFFICIENCY

COMMITTEE RECOMMENDATION

The Committee concurred with the staff recommendation to approve an amendment to Contract No. 5894 with Hertz Claim Management (HCM), MTA's Public Liability/Property Damage Third Party Administrator by funding for the third year of a five-year contract at a cost not-to-exceed \$5,200,000 effective September 1, 1995; AMENDED TO INCLUDE that staff provide a quarterly report to the Board which indicates the list of law firms currently being used and the volume of their individual work.

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July 17, 1995

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Metropolitan
Transportation
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TO: FINANCE, BUDGET AND EFFICIENCY COMMITTEE
THROUGH: FRANKLIN E. WHITE
FROM: JUDITH T. PIERCE
SUBJECT: APPROVAL OF THIRD YEAR FUNDING FOR PUBLIC
LIABILITY/PROPERTY DAMAGE THIRD PARTY
ADMINISTRATOR CONTRACT COVERING BUS AND RAIL
OPERATIONS

RECOMMENDATION

Consider the Chief Executive Officer's report containing a recommendation and authorization to amend Contract No. 5894 with Hertz Claim Management (HCM), MTA's PublicLiability/Property Damage Third Party Administrator (TPA) for bus and rail operations by approving funding for the third year of a five year contract at a cost not to exceed \$5.2 million effective September 1, 1995.

DBE PARTICIPATION

The 25 % DBE goal applies to the base contract amount in addition to payments made for outside services arising from this contract. Hertz is currently meeting the 25 % DBE goal for the base contract and has exceeded the 25 % goal for outside services.

ALTERNATIVES CONSIDERED

Terminate current contract for convenience and issue a new Request for Proposal (RFP). Termination of the contract would result in the loss of management and oversight of over 3,600 MTA PL/PD claims. The MTA would be exposed to lawsuit defaults and lose the ability to investigate new accidents for evidence required to defend MTA against new claims. Additional costs would also be incurred to cover contract cancellation and reprourement of the contract.

IMPACT ON BUDGET AND OBJECTIVES

This contract is funded out of the Risk Management Department Non Departmental Budget 5359, account 50304.

BACKGROUND

A. Overview of Contract

HCM provides services which include PL/PD claims adjustment, 24 hour field investigation response to accidents, MIS services, litigation management, fraud investigations and subrogation recovery. The seven year old fraud program is a model for transit properties across the nation and has been recognized by the Transit Cooperative Research Program of the Transportation Research Board in Washington, D.C.

B. Justification

Currently, there are approximately 3,682 open PL/PD claims with total TPA incurred reserves of \$39.7 million. The scope of work requires adjustment of over 3,600 new claims annually, including over 4,400 field investigation tasks and the management of a panel of 35 law firms.

C. Procurement Process

As a result of RFP No. 92-40, the MTA Board awarded a five year contract to HCM. The period of performance for the contract is from September 21, 1993 through August 31, 1998.

D. Cost/Price Analysis

An audit of Hertz' cost proposal for third year funding has been conducted by MTA auditors and discussions have been held with them regarding proposed costs. Negotiations will be completed and a fixed price established with Hertz after receipt and review of the final audit report.

Pricing for the first two contract years are as follows:

YEAR 1	YEAR 2	YEAR 3	BUDGETED FY96
\$5,715,436	\$5,100,000*	\$5,169,740**	\$ 5.5 Million

* Reductions achieved based on lowered open claims inventory and fewer accidents

**Negotiations still in progress. Additional requirements were added from the June 28th Board meeting.

CONCLUSION

It is recommended that contract No. 5894 be amended to fund the third year of the Public Liability/Property Damage TPA contract at a cost not to exceed \$5.2 million. This action is in the best interest of MTA as the current TPA has provided satisfactory technical performance. MTA does not have sufficient staff and support resources to adequately perform the work.

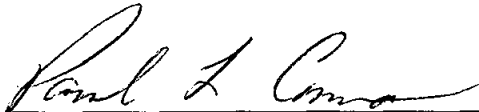
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