SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE
OPERATIONS CLUSTER

DATE: November 3, 2016
TIME: 1:00 p.m.
LOCATION: Kenneth Hahn Hall of Administration, Room 830

AGENDA

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting. Three (3) minutes are allowed for each item.

1. Call to order – James Blunt / Gevork Simdjian

   A) **Board Letter – COUNTY OF LOS ANGELES 2016-2021 STRATEGIC PLAN**
   CEO – Fesia Davenport or designee(s)

   B) **Board Letter – APPROVAL OF AMENDMENT TO EXTEND THE TERM OF AGREEMENT NUMBER ILS-0602 WITH SIRSI CORPORATION DBA SIRSIDYNIX FOR THE PUBLIC LIBRARY'S INTEGRATED LIBRARY SYSTEM (ILS) UPGRADE**
   Public Library – Skye Patrick or designee(s)
   CIO – Peter Loo or designee(s)

   C) **Board Letter – NEW LEASE DEPARTMENT OF PARKS AND RECREATION 1000 SOUTH FREMONT AVENUE, ALHAMBRA**
   CEO – Thomas Shepos or designee(s)

   D) **Board Letter – CORRECTION TO DEPENDENT TERM LIFE INSURANCE PLAN RATES FOR 2017 AND RECOMMENDED COMPENSATION ACTION – ASSESSOR**
   CEO – Maryanne Keehn or designee(s)

   E) **Board Letter – AUTHORIZATION TO EXTEND CONTRACT 75928 FOR THIRD PARTY ADMINISTRATOR MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES**
   CEO – Steve Robles or designee(s)

2. Public Comment
3. Adjournment

November 15, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF AMENDMENT NUMBER ONE TO EXTEND THE TERM OF AGREEMENT NUMBER ILS-0602 WITH SIRSI CORPORATION DBA SIRSIDYNIX FOR AN INTEGRATED LIBRARY SYSTEM UPGRADE (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

CIO RECOMMENDATION: APPROVE (X)

SUBJECT

The Public Library is requesting delegated authority to execute an amendment to extend the term of Agreement Number ILS-0602 with Sirsi Corporation dba SirsiDynix for the Public Library's Integrated Library System for up to four three-month periods, for a maximum period of one year, to be exercised by the County Librarian, or designee.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that Amendment Number One (Amendment) to the County of Los Angeles (County) Agreement Number ILS-0602 (Agreement) with Sirsi Corporation dba SirsiDynix (SirsiDynix) for the Public Library's Integrated Library System (ILS) Upgrade is not subject to the California Environmental Quality Act (CEQA) because it does do not constitute a project according to Section 15378 of CEQA.

2. Approve and delegate authority to the County Librarian to finalize and execute the Amendment to extend the term of the Agreement for up to four three-month periods, for a maximum extended term of one year, and to update and/or add the most current County required and other applicable provisions for the continued maintenance and support of the ILS with no increase in the County's maximum obligation.

3. Approve and delegate authority to the County Librarian, or designee, to exercise the extension options if it is in the best interest of the County, with a thirty-day advance written notice to SirsiDynix.

4. Approve and delegate authority to the County Librarian, or designee, to effect the termination of the Agreement, if so elected by County, with a thirty-day advance written notice.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The ILS is the Public Library's core business system that supports a number of essential functions, including the Public Library's catalog and online reference services, processing of customer requests for library materials, check-out/check-in of library materials, customer service management, acquisition of library materials and customer notifications.

Unless extended, the Agreement will expire on December 19, 2016. Approval of the Amendment will allow the Public Library to utilize the ILS for provision of these key library services for up to an additional year, while negotiating a new sole source agreement with SirsiDynix for ILS software maintenance and support and completing migration of the ILS to a cloud-based environment.

On June 9, 2016, pursuant to Board's Sole Source Policy 5.100, the Public Library provided a six-month notification of its intent to extend the term of the Agreement for up to one year beyond the expiration date of December 19, 2016 and to enter into sole source negotiations for a new agreement with SirsiDynix for maintenance and support of the ILS software.

The ILS solution provided by SirsiDynix is a proprietary Commercial Off-The-Shelf Software customized to meet the specific needs of the Public Library. The solution continues to meet the Department's specifications and requirements. SirsiDynix offers and creates industry-leading tools for libraries. Today more than 23,000 library facilities in more than 70 countries use SirsiDynix products and services. Software updates and enhancements provided as part of the ILS maintenance and support have kept the solution a leader in the industry. As a proprietary product of SirsiDynix, the ILS software can only be maintained and supported by SirsiDynix. SirsiDynix does not license, certify or otherwise endorse any third party to provide maintenance or support services to its proprietary technology.

Implementation of Strategic Plan Goals

The recommended action is consistent with Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County's Strategic Plan in the areas of service excellence and organizational effectiveness.

FISCAL IMPACT/FINANCING

The maximum County obligation for the term of the Agreement will remain at $7,771,694, as the proposed Amendment will result in no increase to the total contract sum allocated for the term of the Agreement. Maintenance and support services provided during the extended period will be paid out of available remaining funds under the Agreement for optional work estimated at $1,700,000. Funding for the outstanding balance is included in the Public Library's Fiscal Year 2016-17 Operating Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On December 20, 2006, the Board approved Agreement Number ILS-0602 with SirsiDynix for an upgrade and maintenance of a "turn-key" ILS, including all hardware, software and professional services required for the implementation as well as maintenance and support of the ILS, for a maximum Agreement term of ten years and a maximum County obligation of $7,771,694. Included in the contract sum are also contingency funds in the form of pool dollars for engaging SirsiDynix to provide optional work upon the County's election. The ILS is vital to the success and support of the Public Library's technology infrastructure and is a mission-critical application customized to meet the specific needs of the Department, with an annual usage of 12.7 million checkouts, 2.1 million holds with a database of 7 million volumes and 3 million patrons.

The Agreement for the ILS upgrade is in its final extension year and will expire on December 19, 2016, unless extended. The extension options will allow the Public Library to negotiate a new sole source agreement with SirsiDynix for maintenance and support of the ILS software and for completing migration of the ILS to a system environment hosted by ISD. Advance notification of the Public Library's intent to negotiate the sole source extension Amendment and a new sole source agreement for ILS software maintenance and support was sent on June 9, 2016.

The recommended actions also include delegated authority to the County Librarian for effecting early termination of the current Agreement with SirsiDynix with a thirty-day advance written notice.

The Chief Information Office (CIO) reviewed and recommends approval of the proposed Amendment. The CIO determined that because this recommended action does not include any new technology-related matters, no formal CIO analysis is required. The Amendment has also been approved as to form by County Counsel.

CONTRACTING PROCESS

On December 20, 2006, the Board approved the sole source Agreement with SirsiDynix to upgrade the existing legacy ILS to the most current version of the application software and to provide maintenance and support for the upgraded ILS. SirsiDynix continues to be the industry leader in library technologies.

ENVIRONMENTAL DOCUMENTATION

The recommended actions are not subject to the California Environmental Quality Act (CEQA) because they do not constitute a project according to Section 15378 of CEQA.

IMPACT ON CURRENT SERVICES

Approval of the proposed Amendment will ensure the continuation of the Public Library's ILS with minimal interruption.

CONCLUSION

Please return to the Public Library two fully conformed copies of this Board Letter with original signatures.

If there are any questions or there is a need for additional information, please contact Yolanda De Ramus, Chief Deputy, at (562) 940-8412.

Respectfully submitted,	Reviewed By:
SKYE PATRICK County Librarian	PETER LOO Acting Chief Information Officer

SP:YDR:EB:EM:GG:mav

c: Executive Officer, Board of Supervisors
Chief Executive Officer
County Counsel
Auditor-Controller

AMENDMENT NO. 1 TO AGREEMENT NO. ILS-0602 FOR INTEGRATED LIBRARY SYSTEM UPGRADE FOR THE COUNTY OF LOS ANGELES PUBLIC LIBRARY

This Amendment Number One is entered into this ___ day of _________, 2016 by and between the County of Los Angeles, a body corporate and politic (hereinafter “County”), and SIRSI CORPORATION dba SIRSIDYNIX, (hereinafter “Contractor”), and amends that certain Agreement Number ILS-0602 for Integrated Library System Upgrade, dated December 20, 2006, as modified by all Change Notices and Amendments thereto, including without limitation by this Amendment Number One (hereinafter “Agreement”).

WHEREAS, County has established and operates, through its County of Los Angeles Public Library (hereinafter “Public Library”), an Integrated Library System (hereinafter “ILS”) to support Public Library operations; and

WHEREAS, on December 20, 2006, the County and Contractor entered into an Agreement for an upgrade of the Public Library’s existing ILS for a maximum County obligation of Seven Million Seven Hundred Seventy-One Thousand Six Hundred Ninety-Four Dollars and Zero Cents ($7,771,694); and

WHEREAS, County and Contractor desire to amend the Agreement, by delegated authority to the County Librarian, to extend its term for up to four (4) three-month periods for a maximum period of one (1) year with no additional increase in the Contract Sum; and

WHEREAS, the parties also desire to amend the Agreement to update and/or add the most current County required and other applicable provisions; and

WHEREAS, the proposed Amendment will provide the Public Library with up to four (4) options to extend the term of the Agreement beyond the expiration date of December 19, 2016, three months at a time, in order to negotiate and execute a new agreement with Contractor.

NOW THEREFORE, in consideration of the foregoing and pursuant to Paragraph 4 (Change Notices and Amendments) of the body of the Agreement, County and Contractor hereby agree to amend the Agreement as follows:

1. The Agreement is hereby incorporated by reference, and all of its terms and conditions, including capitalized terms defined therein, shall be given full force and effect as if fully set forth herein.

2. As a result of this Amendment Number One, the following definitions are added to Paragraph 1.3 (Definitions) of the body of the Agreement, amending such Paragraph 1.3:

AMENDMENT ONE EFFECTIVE DATE

As used herein, the term “Amendment One Effective Date” shall mean the date of execution of Amendment Number One to the Agreement by the authorized representative(s) of County and Contractor.

OPTIONAL TERM

As used herein, the term “Optional Term” shall have the meaning specified in Paragraph 7.2.1 (Optional Term) of the body of the Agreement.

3. Paragraph 7.1 (Initial Term) of the body of the Agreement is revised to read as follows:

“7.1 Initial Term

The term of this Agreement shall commence upon the Effective Date and shall expire seven (7) years thereafter, unless sooner terminated or extended, in whole or in part, as provided in this Agreement (hereinafter "Initial Term").

Contractor shall notify County when this Agreement is within six (6) months from the expiration of the Initial Term. Upon occurrence of this event, Contractor shall send written notification to County's Project Director at the address set forth in Section I (County's Key Personnel) of Exhibit G (Administration of Agreement).

The County maintains databases that track/monitor contractor performance history. Information entered into such databases may be used for a variety of purposes, including determining whether the County will exercise an Agreement term extension option.”

4. The maximum term of the Agreement is extended by up to four (4) three-month periods by adding Paragraph 7.2.1 (Optional Term) to the body of the Agreement to read as follows:

“7.2.1 OPTIONAL TERM

At the end of the Initial and the Extended Term, County may, at its sole option, extend this Agreement for up to four (4) three-month periods (hereinafter “Optional Term”) with thirty-day advanced written notification to the Contractor.

Notwithstanding anything to the contrary set forth in the Agreement or this Amendment Number One, maintenance fees for Maintenance and Support services provided during the Optional Term shall be paid with any available funds under the Agreement, including the Pool Dollars.”

5. Paragraph 7.3 (Definition of Term) of the body of the Agreement is deleted in its entirety and replaced with revised Paragraph 7.3 (Definition of Term), amended to read as follows:

"7.3 DEFINITION OF TERM

As used throughout this Agreement, the word "term" shall include the Initial Term, Extended Term and Optional Term, to the extent County exercises any of its options pursuant to this Paragraph 7."

6. Paragraph 14.5 (Cancellation of or Changes in Insurance) of the body of the Agreement is added to read as follows:

"14.5 Cancellation of or Changes in Insurance

Contractor shall provide County with, or Contractor's insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance may constitute a material breach of the Agreement, in the sole discretion of the County, upon which the County may suspend or terminate this Agreement."

7. Paragraph 42.2 (Consideration of GAIN/Grow Program Participants for Employment) of the body of the Agreement is deleted in its entirety and replaced with the following:

"42.2 Consideration of Hiring GAIN-GROW Participants

42.2.1 Should the Contractor require additional or replacement personnel after the effective date of this Agreement, the Contractor shall give consideration for any such employment openings to participants in the County's Department of Public Social Services Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program who meet the Contractor's minimum qualifications for the open position. For this purpose, consideration shall mean that the Contractor will interview qualified candidates. The County will refer GAIN-GROW participants by job category to the Contractor. Contractors shall report all job openings with job requirements to: GAINGROW@dpss.lacounty.gov to obtain a list of qualified GAIN-GROW job candidates.

42.2.2 In the event that both laid-off County employees and GAIN-GROW participants are available for hiring, County employees shall be given first priority."

8. Paragraph 79 (Contractor's Acknowledgement of County's Commitment to Safely Surrendered Baby Law) is added to the body of the Agreement to read as follows:

"79. Contractor's Acknowledgement of County's Commitment to Safely Surrendered Baby Law

The Contractor acknowledges that the County places a high priority on the implementation of the Safely Surrendered Baby Law. The Contractor understands that it is the County's policy to encourage all County Contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at the Contractor's place of business. The Contractor will also encourage its Sub-Contractors, if any, to post this poster in a prominent position in the Sub-Contractor's place of business. The County's Department of Children and Family Services will supply the Contractor with the poster to be used. Information on how to receive the poster can be found on the Internet at www.babysafela.org."

9. Paragraph 80 (Notice to Employees Regarding the Safely Surrendered Baby Law) is added to the body of the Agreement to read as follows:

"80. Notice to Employees Regarding the Safely Surrendered Baby Law

The Contractor shall notify and provide to its employees, and shall require each Sub-Contractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit I of this Agreement and is also available on the Internet at www.babysafela.org for printing purposes."

10. Paragraph 81 (Warranty of Compliance with County's Defaulted Property Tax Reduction Program) is added to the body of the Agreement to read as follows:

"81. Warranty of Compliance with County's Defaulted Property Tax Reduction Program

Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through Agreement are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this Agreement will maintain compliance, with Los Angeles County Code Chapter 2.206."

11. Paragraph 82 (Warranty of Compliance with County's Defaulted Property Tax Reduction Program) is added to the body of the Agreement to read as follows:

"82. Termination for Breach of Warranty to Maintain Compliance with County's Defaulted Property Tax Reduction Program

Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 81 (Warranty of Compliance with County's Defaulted Property Tax Reduction Program) shall constitute default under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of Contractor to cure such default within ten (10) days of notice shall be grounds upon which County may terminate this Agreement and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

12. Paragraph 83 (Time Off for Voting) is added to the body of the Agreement to read as follows:

"83. Time Off for Voting

The Contractor shall notify its employees, and shall require each Sub-Contractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than ten (10) days before every statewide election, every Contractor and Sub-Contractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000."

13. Paragraph 84 (Background and Security Investigations) is added to the body of the Agreement to read as follows:

"84. Background and Security Investigations

84.1 Each of Contractor's staff performing services under this Agreement, who is in a designated sensitive position, as determined by County in County's sole discretion, shall undergo and pass a background investigation to the satisfaction of County as a condition of beginning and continuing to perform services under this Agreement. Such background investigation must be obtained through fingerprints submitted to the California Department of Justice to include State, local, and federal-level review, which may include, but shall not be limited to, criminal conviction information. The fees associated with the background investigation shall be at the expense of the Contractor, regardless of whether the member of Contractor's staff passes or fails the background investigation.

84.2 If a member of Contractor's staff does not pass the background investigation, County may request that the member of Contractor's staff be removed immediately from performing services under the Agreement. Contractor shall comply with County's request at any time during the term of the Agreement. County will not provide to Contractor or to Contractor's staff any information obtained through the County's background investigation.

84.3 County, in its sole discretion, may immediately deny or terminate facility access to any member of Contractor's staff that does not pass such investigation to the satisfaction of the County or whose background or conduct is incompatible with County facility access.

84.4 Disqualification of any member of Contractor's staff pursuant to this Paragraph 84 shall not relieve Contractor of its obligation to complete all work in accordance with the terms and conditions of this Agreement."

14. Paragraph 85 (Prohibition Against Inducement or Persuasion) is added to the body of the Agreement to read as follows:

"85. <u>Prohibition Against Inducement or Persuasion</u>

Notwithstanding the above, the Contractor and the County agree that, during the term of this Agreement and for a period of one year thereafter, neither party shall in any way intentionally induce or persuade any employee of one party to become an employee or agent of the other party. No bar exists against any hiring action initiated through a public announcement."

15. Paragraph 86 (Termination for Non-Appropriation of Funds) is added to the body of the Agreement to read as follows:

"86. <u>Termination for Non-Appropriation of Funds</u>

Notwithstanding any other provision of this Agreement, the County shall not be obligated for the Contractor's performance hereunder or by any provision of this Agreement during any of the County's future fiscal years unless and until the County's Board of Supervisors appropriates funds for this Agreement in the County's Budget for each such future fiscal year. In the event that funds are not appropriated for this Agreement, then this Agreement shall terminate as of June 30 of the last fiscal year for which funds were appropriated. The County shall notify the Contractor in writing of any such non-allocation of funds at the earliest possible date."

16. Paragraph 87 (Public Records Act) is added to the body of the Agreement to read as follows:

"87. Public Records Act

87.1 Any documents submitted by the Contractor; all information obtained in connection with the County's right to audit and inspect the Contractor's documents, books, and accounting records pursuant to Paragraph 26 (Records and Audits) of this Agreement; as well as those documents which were required to be submitted in response to the Request for Proposals (RFP) used in the solicitation process for this Agreement, become the exclusive property of the County. All such documents become a matter of public record and shall be regarded as public records. Exceptions will be those elements in the California Government Code Section 6250 et seq. (Public Records Act) and which are marked "trade secret", "confidential", or "proprietary". The County shall not in any way be liable or responsible for the disclosure of any such records including, without limitation, those so marked, if disclosure is required by law, or by an order issued by a court of competent jurisdiction.

87.2 In the event the County is required to defend an action on a Public Records Act request for any of the aforementioned documents, information, books, records, and/or contents of a proposal marked "trade secret", "confidential", or "proprietary", the Contractor agrees to defend and indemnify the County from all costs and expenses, including reasonable attorney's fees, in action or liability arising under the Public Records Act."

17. Paragraph 88 (Data Destruction) is added to the body of the Agreement to read as follows:

"88. Data Destruction

Contractor(s) that have maintained, processed, or stored the County of Los Angeles' ("County") data and/or information, implied or expressed, have the sole responsibility to certify that the data and information have been appropriately destroyed consistent with the National Institute of Standards and Technology (NIST) Special Publication SP 800-88 titled *Guidelines for Media Sanitization*. Available at:

http://csrc.nist.gov/publications/PubsDrafts.html#SP-800-88 Rev.%201

The data and/or information may be stored on purchased, leased, or rented electronic storage equipment (e.g., printers, hard drives) and electronic devices (e.g., servers, workstations) that are geographically located within the County, or external to the County's boundaries. The County must receive within ten (10) business days, a signed document from Contractor(s) that certifies and validates the data and information were placed in one or more of the following stored states: unusable, unreadable, and indecipherable.

Contractor shall certify that any County data stored on purchased, leased, or rented electronic storage equipment and electronic devices, including, but not limited to printers, hard drives, servers, and/or workstations are destroyed consistent with the current National Institute of Standard and Technology (NIST) Special Publication SP-800-88, *Guidelines for Media Sanitization.* Contractor shall provide County with written certification, within ten (10) business days of removal of any electronic storage equipment and devices that validates that any and all County data was destroyed and is unusable, unreadable, and/or undecipherable."

18. Paragraph 89 (Compliance with Contractor Protection of Electronic County Information – Data Encryption Standard) is added to the body of the Agreement to read as follows:

"89. Compliance with Contractor Protection of Electronic County Information – Data Encryption Standard

Any proposer/contractor that electronically transmits or stores personal information (PI), protected health information (PHI) and/or medical information (MI) shall comply with the encryption standards set forth below and incorporated in all Agreements and amendments (collectively, the "Encryption Standards"). PI is defined in California Civil Code Section 1798.29(g). PHI is defined in Health Insurance Portability and Accountability Act of 1996 (HIPPA), and implementing regulations. MI is defined in California Civil Code Section 56.05(j).

89.1 Encryption Standards – Stored Data

Contractors' and subcontractors' workstations and portable devices that are used to access, store, receive, and/or transmit County PI, PHI or MI (e.g., mobile, wearables, tablets, thumb drives, external hard drives) require encryption (i.e. software and/or hardware) in accordance with: (a) Federal Information Processing Standard Publication (FIPS) 140-2; (b) National Institute of Standards and Technology (NIST) Special Publication 800-57 Recommendation for Key Management – Part 1: General (Revision 3); (c) NIST Special Publication 800-57 Recommendation for Key Management – Part 2: Best Practices for Key Management Organization; and (d) NIST Special Publication 800-111 Guide to Storage Encryption Technologies for End User Devices.

Advanced Encryption Standard (AES) with cipher strength of 256-bit is minimally required.

Contractors' and Subcontractors' use of remote servers (e.g. cloud storage, Software-as-a-Service or SaaS) for storage of County PI, PHI and/or MI shall be subject to written pre-approval by the County's Chief Executive Office.

89.2 Encryption Standards – Transmitted Data

All transmitted (e.g. network) County PI, PHI and/or MI require encryption in accordance with: (a) NIST Special Publication 800-52 Guidelines for the Selection and Use of Transport layer Security Implementations; and (b) NIST Special Publication 800-57 Recommendation for Key Management – Part 3: Application – Specific Key Management Guidance.

Secure Sockets layer (SSL) is minimally required with minimum cipher strength of 128-bit.

89.3 Definition References

As used in this policy, the phrase "Personal Information" shall have the same meaning as set forth in subdivision (g) of California Civil Code section 1798.29.

As used in this policy, the phrase "Protected Health Information" shall have the same meaning as set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and implementing regulations.

As used in this policy, the phrase "Medical Information" shall have the same meaning as set forth in subdivision (j) of California Civil Code section 56.05.

89.4 Compliance

Each Contractor shall certify its compliance with the Policy prior to being awarded a Contract with the County and/or shall maintain compliance with this Policy during the term of the Contract and for as long as Contractor maintains or is in possession of County PI, PHI and/or MI. In addition to the foregoing certification, Contractor shall maintain any validation/attestation reports that the data encryption product generates and such reports shall be subject to audit in accordance with the Contract. County departments will require any non-compliant contractor to develop and execute a corrective action plan. Contractors that fail to comply with this policy may be subject to suspension or termination of contractual agreements, denial or access to County IT resources, and/or other actions as deemed appropriate by the County.

89.5 No Policy Exceptions

There are no exceptions to this policy, except as expressly approved by the Board of Supervisors.

89.6 Remedies

Contractor acknowledges that a breach by Contractor of this Paragraph 89 may result in irreparable injury to County and may not be adequately compensated by monetary damages and that, in addition to County's other rights under this Paragraph 89 and at law in equity, County shall have the right to seek injunctive relief to enforce the provisions of this Paragraph 89. The provisions of this Paragraph 89 shall survive the expiration or termination of this Agreement."

19. Paragraph 14 (Indemnification, Insurance and Performance Security) of the body of the Agreement has been modified to add the following two new coverages:

"14.5 Technology Errors and Omissions Insurance

Insurance, including cover for liabilities arising from errors, omissions, or negligent acts in rendering or failing to render computer or information technology services and technology products. Coverage for violation of software copyright should be included. Technology services should at a minimum include (1) systems analysis, (2) systems programming, (3) data processing, (4) systems integration, (5) outsourcing including outsourcing development and design, (6) systems design, consulting, development and modification, (7) training services relating to computer software or hardware, (8) management, repair and maintenance of computer products, networks and systems, (9) marketing, selling, servicing, distributing, installing and maintaining computer hardware or software, (10) data entry, modification, verification, maintenance, storage, retrieval or preparation of data output, and any other services provided by Contractor, with limits of $25 million.

14.6 Privacy/Network Security (Cyber) Insurance

Privacy/Network Security ("Cyber") liability coverage providing protection against liability for (1) privacy breaches (liability arising from the loss or disclosure of confidential information no matter how it occurs), (2) system breach, (3) denial or loss of service, (4) introduction, implantation or spread of malicious software code, (5) unauthorized access to or use of computer systems, with limits of $25 million. No exclusions/restrictions for unencrypted portable devices/media may be on the policy. The County of Los Angeles, its Special Districts, Elected Officials, Officers, Agents, Employees and Volunteers (collectively County and its Agents) shall be provided additional insured status."

20. The table entitled PROJECTED COSTS OVER TERM OF THE AGREEMENT of Exhibit B.2 (Schedule of Payments) is deleted in its entirety and replaced with the revised table PROJECTED COSTS OVER TERM OF THE AGREEMENT below:

PROJECTED COSTS OVER TERM OF THE AGREEMENT

MAINTENANCE AND SUPPORT PERIOD	**COST**
2007	$0
2008	$263,061
2009	$263,061
2010	$281,475
2011	$301,178
2012	$322,260
2013	$344,818
2014	$368,955
2015	$394,782
2016	$422,417
2017	$422,417
TOTAL	**$3,384,424**

21. The name of the County's Project Manager assigned to the Agreement has been updated by deleting Section I (Administration of Agreement – County's Key Personnel) of Exhibit G (Administration of Agreement) in its entirety and replacing it with revised Section I (Administration of Agreement – County's Key Personnel) of Exhibit G (Administration of Agreement), which is attached hereto and incorporated herein by reference.

22. The membership of the Contractor Key Personnel has been updated by deleting Section II (Administration of Agreement – Contractor's Key Personnel) of Exhibit G (Administration of Agreement) in its entirety and replacing it with revised Section II (Administration of Agreement – Contractor's Key Personnel) of Exhibit G (Administration of Agreement), which is attached hereto and incorporated herein by reference.

23. RATIFICATION

All other terms, conditions, covenants and promises of the Agreement not affected by this Amendment Number One shall remain in full force and effect and are hereby reaffirmed.

24. EFFECTIVE DATE

This Amendment Number One to the Agreement shall be effective on the Amendment One Effective Date.

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IN WITNESS WHEREOF, County and Contractor have executed this Amendment as of the date set forth above.

CONTRACTOR	COUNTY OF LOS ANGELES
By ______________________________ Signature ______________________________ Print Name Title ____________________________ Dated ___________________________	By ________________________________ Skye Patrick County Librarian Dated ____________________________ APPROVED AS TO FORM: Mary C. Wickham County Counsel By____________________________ Victoria Mansourian Principal Deputy County Counsel

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ADMINISTRATION OF AGREEMENT
County's Key Personnel

AGREEMENT NO. ILS-0602

COUNTY'S PROJECT DIRECTOR

Name: Binh Le
Title: Acting, Assistant Director, Information Systems
Address: 7400 Imperial Hwy.
Downey, CA 90242
Telephone: (562) 940-8418
Facsimile: (562) 803-3032
E-Mail Address: BLe@library.lacounty.gov

COUNTY'S PROJECT MANAGER

Name: David Mill
Title: Information Systems Supervisor I
Address: 7400 Imperial Hwy.
Downey, CA 90242
Telephone: (562) 940-8558
Facsimile: (562) 803-3032
E-Mail Address: DMill@library.lacounty.gov

ADMINISTRATION OF AGREEMENT
Contractor's Key Personnel

Sirsi Corporation dba SirsiDynix

AGREEMENT NO. ILS-0602

CONTRACTOR'S PROJECT DIRECTOR

Name: ____________________
Title: ____________________
Address: ____________________
____
Telephone: ____________________
Facsimile: ____________________
E-Mail Address: ____________________

CONTRACTOR'S PROJECT MANAGER

Name: ____________________
Title: ____________________
Address: ____________________
____
Telephone: ____________________
Facsimile: ____________________
E-Mail Address: ____________________

DRAFT

County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

SACHI A. HAMAI
Chief Executive Officer

November 15, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

NEW LEASE
DEPARTMENT OF PARKS AND RECREATION
1000 SOUTH FREMONT AVENUE, ALHAMBRA
(FIFTH DISTRICT)
(3 VOTES)

SUBJECT

A new eight-year lease for approximately 55,583 square feet of office space, and 250 on-site parking spaces located at 1000 South Fremont Avenue, Alhambra, for the Department of Parks and Recreation.

IT IS RECOMMENDED THAT THE BOARD:

1. Consider the attached Negative Declaration together with the fact that no comments were received during the public review process, find on the basis of the whole record that the project will not have a significant effect on the environment and no adverse effect on wildlife resources, find that the Negative Declaration reflects the independent judgment of the Board of Supervisors to approve the Negative Declaration, adopt the Negative Declaration, find on the basis of the whole record that the project will have no effect on fish and wildlife, and instruct the Chief Executive Officer or her designee, to complete and file the appropriate determination forms as to the project.

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2. Approve and instruct the Chair to sign an eight-year lease, with two five-year extensions, as well as a right of first offer to purchase, from The Alhambra Office Community, LLC, for the approximately 55,583 square feet of office space, and 250 on-site parking spaces at 1000 South Fremont Avenue, Alhambra, for the relocation of the Department of Parks and Recreation's headquarters, at an annual first year cost not to exceed $2,054,666, which is comprised of a $1,649,171 initial annual base and parking rent and a $405,495 maximum annual cost of the telephone, data, and low voltage systems, should the entire amount be expended. The rental and related costs are 81 percent net County cost and 19 percent fee/revenue offset. The proposed relocation will not require an increase to the fees currently charged by the department.

3. Authorize the Director of Internal Services, the Landlord, or the Landlord's County-approved vendor, or their designees, at the direction of the Chief Executive Officer or her designee, to acquire telephone systems for the Department of Parks and Recreation Headquarters relocation at a cost not to exceed $1,725,000. All of the telephone, data, and low voltage systems will be paid via lump-sum, or TESMA financed over five-years, at a cost not to exceed $405,495 annually.

4. Authorize and direct the Chief Executive Officer or her designee to execute any other ancillary documentation necessary to effectuate the lease, and authorize and direct the Chief Executive Officer, and the Directors of Parks and Recreation and Internal Services, or their designees, to take actions necessary and appropriate to implement the project. The lease will be effective upon approval by the Board of Supervisors, but the term and rent will commence upon completion of the tenant improvements by the Landlord, or the Landlord's County-approved vendor, and acceptance by the County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The proposed lease will provide the Department of Parks and Recreation (Parks) with approximately 55,583 square feet of office space, and 250 on-site parking spaces at 1000 South Fremont Avenue, Alhambra (Facility), allowing them to relocate their headquarters from the County-owned buildings located at 510 and 433 South Vermont Avenue, Los Angeles (Vermont) and its Contracts and Golf Division staff from 301 North Baldwin Avenue, Arcadia (Arboretum). The proposed office will be occupied by 242 employees.

The proposed relocation comes as a result of construction of the Vermont Corridor project recently approved by the Board of Supervisors. The co-location of Parks staff within the same building will improve workload efficiency, increase work productivity, and ensure collaboration within administrative functions. The current Parks Headquarters building will be repurposed for senior citizens housing.

Access to Public Transportation

The Facility is conveniently located near public transportation routes that include Metro bus lines to Union Station and California State University Los Angeles (Cal State LA), Metrolink Station providing transfers from origins throughout the County. The City of Alhambra (City) has a low cost transportation service, the Alhambra Community Transit (ACT), throughout the City, including service to the Cal State LA campus, the Metrolink Station, and downtown Alhambra, with stops in front of the Facility's main entrance at Fremont Avenue and Mission Road.

The Alhambra Office Community, LLC (Landlord) is in discussions with ACT to extend access to the Metro Gold Line. In the interim, the Landlord has agreed to provide shuttle service between the Metro Gold Line and the complex for two years or until the City extends its ACT service within the two-year period. All ACT shuttle buses are fueled with clean-burning compressed natural gas to reduce greenhouse gases and overall air pollution.

The Department of Public Works (DPW) provides shuttle service from Union Station to DPW Headquarters located at 900 South Fremont Avenue, Alhambra, driven by DPW employees participating in the carpool. A rideshare program is available that offers third-party amenities including vanpool subsidies, up to a $400 monthly rebate, through Los Angeles County Metropolitan Transportation Authority (MTA). New vans are also available through V-ride (similar to rent-a-vehicle), and Wageworks allows for deductions on the cost associated with public transit for an average savings of $30 per month.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability (Goal 1) directs that we maximize the effectiveness of processes, structure, operations, and strong fiscal management to support timely delivery of customer-oriented and efficient public services. In this case, the County is supporting this Goal by providing services that improve productivity, reduce customer costs, and enhance customer service. The proposed lease complies with the Asset Management Principles, as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed new lease will provide Parks approximately 55,583 square feet of office space and 250 on-site parking spaces at a maximum first year rental cost of $2,055,386, which is comprised of the $1,649,891 initial annual base and parking rent, and the annual $405,495 telephone, data, and low voltage systems amortized cost, should the entire amounts be expended. The annual $600,943 Tenant Improvement (TI) allowance amortized payments and interest commence at the third year of the term over 60 months.

Sufficient funding for the proposed lease and low voltage and TI reimbursement costs are included in the Fiscal Year (FY) 2016-17 Rent Expense budget, and will be billed back to Parks. Parks has sufficient funding in their FY 2016-17 operating budgets to cover the projected lease costs. Funding up to $1,388,000 will be recommended to cover the rental costs. Attachment B is an overview of the proposed lease costs. The rental and related costs are 81 percent net County cost and 19 percent fee/revenue offset. The proposed relocation will not require an increase to the fees currently charged by the department.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed new lease includes the following provisions:

- An eight-year lease term, which commences upon completion of the tenant improvements by the Landlord and acceptance by the County.
- A full-service gross lease whereby the Landlord is responsible for all operating expenses associated with County's occupancy, including janitorial expense.
- A cancellation provision allowing the County the right to cancel the lease at any time after 84 months of the lease term, with 120 days prior written notice.
- Two five-year options to extend the lease at the same terms and conditions with 12 months prior written notice.
- A non-reimbursable base TI allowance of $3,112,684, or $56 per square foot.
- A reimbursable additional TI allowance of $2,529,027, or $45.50 per square foot, payable in a lump-sum or amortized over 60 months with payments and interest commencing on the third year of the term at an interest rate of 7.5 percent.
- Annual rental rate adjustments based upon the Consumer Price Index (CPI), with a minimum of 2 percent and maximum of 5 percent per annum.
- A right of first offer giving the County the opportunity to purchase the property and tenant improvements at the Facility when available for sale.

The Chief Executive Office (CEO), Real Estate Division staff initially surveyed the downtown area and was unable to identify any sites in that surveyed area that could accommodate this requirement more economically at this time. Staff expanded its search to surrounding areas and included the Alhambra area within close proximity to the DPW Headquarters located at 900 South Fremont Avenue, Alhambra. Based upon a review of available industry data, staff has established that the annual rental range for similar space and parking costs is between $25 and $30 per square foot on a full-service gross basis. Thus, the base annual rental rate of $30 full-service gross including parking, for the proposed lease represents a rate within the market range for the area. Attachment C shows all County-owned and leased facilities within the surveyed areas, and there are no County-owned or leased facilities available for the program.

DPW has inspected this facility, and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has made an initial study of environmental factors and concluded that the project will have no significant impact on the environment and no adverse effect on wildlife resources. A Negative Declaration has been prepared and a notice posted at the 208 East 6th Street facility as required by the California Environmental Quality Act (CEQA) and California Administrative Code, Section 15072. Copies of the completed study, the resulting Negative Declaration, and the Notice of Preparation of Negative Declaration as posted are attached. No comments to the Negative Declaration were received.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease will provide the necessary office space for this County requirement. Parks concurs with the proposed lease.

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CONCLUSION

It is requested that the Executive Office, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,

SACHI A. HAMAI
Chief Executive Officer

SAH:DPH:CMM
TS:MAC:gw

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Internal Services
Parks and Recreation

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ATTACHMENT A

DEPARTMENT OF PARKS AND RECREATION
1000 SOUTH FREMONT AVENUE, ALHAMBRA
Asset Management Principles Compliance Form[1]

			Yes	No	N/A
1.	**Occupancy**		**Yes**	**No**	**N/A**
	A	Does lease consolidate administrative functions?[2]	**X**		
	B	Does lease co-locate with other functions to better serve clients? [2]	**X**		
	C	Does this lease centralize business support functions?[2]			**X**
	D	Does this lease meet the guideline of 200 sq. ft. of space per person?[2] **No, it is approximately 230 sq. ft. per person due to space for conference rooms, storage, and plan check space needs.**		**X**	
2.	**Capital**				
	A	Is it a substantial net County cost (NCC) program? **81 percent net County Cost and 19 percent fee/revenue offset.**	**X**		
	B	Is this a long term County program?	**X**		
	C	If yes to 2 B or C; is it a capital lease or an operating lease with an option to buy? **The County has a right of first offer to purchase the facility when it becomes available.**		**X**	
	D	If no, are there any suitable County-owned facilities available?		**X**	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			**X**
	F	Is Building Description Report attached as Attachment C?	**X**		
	G	Was build-to-suit or capital project considered**? No, cannot be achieved within the Vermont Corridor timeframe and funding will need to be identified.**		**X**	
3.	**Portfolio Management**				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	**X**		
	B	Was the space need justified?	**X**		
	C	If a renewal lease, was co-location with other County departments considered?			**X**
	D	Why was this program not co-located?			**X**
		1. _____ The program clientele requires a "stand alone" facility**.**			
		2. _____ No suitable County occupied properties in project area.			
		3**.** _____ No County-owned facilities available for the project.			
		4. _____ Could not get City clearance or approval.			
		5. __X__ The Program is being co-located.			
	E	Is lease a full-service lease?[2]	**X**		
	F	Has growth projection been considered in space request?	**X**		
	G	Has the Dept. of Public Works completed seismic review/approval?	**X**		
		[1]As approved by the Board of Supervisors 11/17/98			
		[2]If not, why not? Please **bold** any written responses.			

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ATTACHMENT B

OVERVIEW OF THE PROPOSED LEASE COSTS

Area (square feet)	55,583
Term (years)	Eight-years, commencing upon Board approval and County's acceptance of the TI
Annual Base Rent[(1)]	$1,534,091 ($27.60 per sq. ft. annually)
Annual Parking Rent	$115,080 (222 @ $35.00 per parking space per month) (28 @ $65.00 per parking space per month)
Annual Combined Rent (Base Rent + Parking Rent)	$1,649,171 ($29.67 per sq. ft. annually)
Annual TI Reimbursement[(2)]	$600,943 ($10.81 per sq. ft. annually)
Annual Low Voltage amortized costs[(3)]	$405,495 ($7.35 per sq. ft. annually)
The Maximum First Year Rental Cost[(4)]	$2,054,666 ($36.97 per sq. ft. annually)
Base TI Allowance (non-reimbursable)	$3,112,648 ($56.00 per sq. ft.)
Additional TI Allowance	$2,529,027 ($45.50 per sq. ft.)
Low Voltage Budget	$1,725,000 ($31.27 per sq. ft.)
Parking	250 (222 @ $35 per parking space per month) (28 @ $65 per parking space per month)
Cancellation	County may cancel at the seventh year anniversary
Option to Renew	Two 5-year options upon 12 months written notice
Right of First Offer	Right of first offer to purchase the Premises when available
Rental Adjustment	Annual CPI adjustments of 2 percent capped at 5 percent of Base Year Rent

(1) Lease rate to be $2.30/sf per month or $27.60 per annum.

(2) $2,529,027 represents the maximum amount of reimbursable TI funds available for this project. If this entire amount is expended and amortized over 60 months with payments commencing on the 3rd year of the term at the proposed rate of 7.5 percent, the annual TI reimbursement will be $600,943 ($10.81 per sq. ft. annually).

(3) $1,725,000 represents the maximum amount of low voltage funds budgeted for this project. If this entire amount is expended and amortized over 60 months at the rate of 7 percent, the annual TESMA payment will be $405,495 ($7.35 per sq. ft. annually).

(4) Includes first year annual base rent, parking rent, and the maximum annual cost of the telephone, data, and low voltage systems amortized cost if fully utilized.

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ATTACHMENT C

1000 SOUTH FREMONT AVENUE, ALHAMBRA
SPACE SEARCH – FIVE MILE RADIUS

Laco	Facility Name	Address	Ownership	Gross SQFT	Net SQFT	Vacant SQFT
A471	THE ALHAMBRA COMPLEX - EAST TOWER	1000 S FREMONT AVE, ALHAMBRA 91803	LEASED	194,141	165,995	NONE
0122	THOMAS A TIDEMANSON BLDG-ANNEX BLDG	900 S FREMONT AVE, ALHAMBRA 91803	FINANCED	43,500	36,975	NONE
X900	THOMAS A TIDEMANSON PUBLIC WORKS BLDG	900 S FREMONT AVE, ALHAMBRA 91803	FINANCED	536,168	363,876	NONE
X901	COMMUNITY DEVELOPMENT COMMIISSION & HOUSING AUTHORITY HEADQUARTERS (NEW)	700 W MAIN ST, ALHAMBRA 91801	COMMUNITY DEVELOPMENT COMMISSION	118,265	105,101	NONE
5883	ALHAMBRA COURTHOUSE	150 W COMMONWEALTH AVE, ALHAMBRA 91801	FINANCED	111,727	65,494	NONE
X167	SHERMAN BLOCK SHERIFF'S HEADQUARTERS BUILDING	4700 W RAMONA BLVD, MONTEREY PARK 91754	FINANCED	125,000	106,250	NONE
X201	EDMUND D EDELMAN CHILDREN'S COURT	201 CENTRE PLAZA DR, MONTEREY PARK 91754	FINANCED	275,530	205,280	NONE
A015	DCFS/LASD/FIRE/OPS/ISD CORPORATE PLACE	2525 CORPORATE PL, MONTEREY PARK 91754	LEASED	40,483	35,248	NONE
3241	EAST LOS ANGELES COURTHOUSE	4848 E CIVIC CENTER WAY, EAST LOS ANGELES 90022	FINANCED	126,973	68,003	NONE
3100	NORTHEAST JUVENILE JUSTICE CTR BLDG-1	1601 EASTLAKE AVE, LOS ANGELES 90033	OWNED	47,579	34,727	NONE
5863	ISD-ADMINISTRATIVE HEADQUARTERS	1100 N EASTERN AVE, LOS ANGELES 90063	OWNED	80,309	58,826	NONE
3102	JUVENILE HALL-ADMINISTRATION BUILDING-4	1605 EASTLAKE AVE, LOS ANGELES 90033	OWNED	75,907	33,945	NONE
4946	MED CTR-INTERNS & RESIDENTS BUILDING	2020 ZONAL AVE, LOS ANGELES 90033	OWNED	142,448	79,494	NONE
5397	PASADENA COURTHOUSE	300 E WALNUT ST, PASADENA 91101	OWNED	228,638	126,899	NONE
A426	DCFS-PASADENA (SPA 3)	532 E COLORADO BLVD, PASADENA 91101	LEASED	75,235	70,721	NONE
A554	SAN GABRIEL VALLEY FAMILY SERVICE CTR II	3400 AEROJET AVE, EL MONTE 91731	LEASED	131,806	120,000	NONE
A493	SAN GABRIEL VALLEY FAMILY SERVICE CTR I	3350 AEROJET AVE, EL MONTE 91731	LEASED	120,000	108,000	NONE
A497	DPSS-SAN GABRIEL VALLEY GAIN PROG REG III	3216 ROSEMEAD BLVD, EL MONTE 91731	LEASED	41,836	39,744	NONE
A522	PH/DPSS/DCFS-TELSTAR EL MONTE CTY CTR	9320 TELSTAR AVE, EL MONTE 91731	LEASED	163,000	146,700	NONE
A275	COMMUNITY DEVELOPMENT COMM HDQRTRS	2 CORAL CIR, MONTEREY PARK 91755	LEASED	67,500	60,750	NONE

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ATTACHMENT D

FACILITY LOCATION POLICY ANALYSIS

Proposed Lease: Eight-year lease for - 1000 South Fremont Avenue, Alhambra – 5th District

A. Establish Service Function Category – Regional and local public service function.

B. D**etermination of the Service Area –** The proposed lease will provide use of approximately 55,583 square feet of office space for the Department of Parks and Recreation Headquarters.

C. Apply Location Selection Criteria to Service Area Data

- Need for proximity to service area and population: N/A

- Need for proximity to existing County facilities: N/A

- Need for proximity to Los Angeles Civic Center:

  This location is approximately seven miles from the Civic Center making it more than a 10-minute walk from the Hall of Administration, however it is conveniently located near public transportation as identified in the Board location policy for department headquarters.

- Economic Development Potential: N/A

- Proximity to public transportation:

  The Facility is conveniently located near public transportation routes that include Metro bus lines to Union Station and the Cal State LA Metrolink Station providing transfers from origins throughout the County. In addition, the City of Alhambra has a low cost transportation service, ACT, throughout the city including service to the Cal State LA campus, the Metrolink Station, and downtown Alhambra with stops in front of the Facility's main entrance at Fremont Avenue and Mission Road.

  Landlord is in discussions with ACT to extend access to the Metro Gold Line. In the interim, the Landlord has agreed to provide shuttle service between the Metro Gold Line and the complex for two years or until the City extends its ACT service within the two-year period.

DPW has shuttle service from Union Station to DPW Headquarters located at 900 Fremont, Alhambra driven by DPW employees participating in the carpool. In addition, a rideshare program offers third-party amenities including vanpool subsidies, up to a $400 monthly rebate through Los Angeles County MTA. New vans are available through V-ride (similar to rent-a-vehicle) and Wageworks allows for deductions on the cost associated with public transit for an average savings of $30 per month.

- Availability of affordable housing for County employees: N/A

- Use of historic buildings: N/A

- Availability and compatibility of existing buildings: There are no existing County buildings available to meet the Department's service needs.

- Compatibility with local land use plans: The site is currently zoned commercial and the current use as office space is consistent with the building's use, zoning and not in conflict with the goals and policies of the City of Alhambra. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

- Estimated acquisition/construction and ongoing operational costs: The initial $2,054,666 maximum annual rental cost is comprised of the following: $1,649,171 initial annual base and parking rent and the $405,495 maximum annual amortized telephone, data, and low voltage systems cost, should the entire amount be expended.

D. Analyze results and identify location alternatives

The Chief Executive Office (CEO) Real Estate Division staff surveyed the area within a ten minute walk from the Hall of Administration, as specified by the Board of Supervisor's motion of February 17, 2015, in order to maintain close proximity within the service area. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement at that time.

Based upon a review of available industry data, staff has established that the annual rental range for similar space and parking costs is between $25 and $30 per square foot on a full-service gross basis. Thus the base annual rental rate of $30 full-service gross including parking, for the proposed lease represents a rate within the market range for the area. Attachment C shows all County-owned and leased facilities within the surrounding Alhambra area and there are no County-owned or leased facilities available for the programs.

E. Determine benefits and drawbacks of each alternative based upon functional needs, service area, cost, and other Location Selection Criteria

The facility provides proper accommodations for Parks Headquarters serving the Los Angeles region. The lease is in conformance with the Asset Management Principles, as outlined in Attachment A. The consolidation of services within one facility at the proposed Facility will provide a central and appropriate location, which is consistent with the County's facility location policy, adopted by the Board of Supervisors on July 24, 2012.

County of Los Angeles
CHIEF EXECUTIVE OFFICE
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SACHI A. HAMAI
Chief Executive Officer

November 22, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

CORRECTION TO DEPENDENT TERM LIFE INSURANCE PLAN RATES FOR 2017 AND RECOMMENDED COMPENSATION ACTION - ASSESSOR
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

SUBJECT

Recommendation to approve the corrected premium rates for the 2017 calendar year for the Dependent Term Life Insurance plan applicable to represented employees. In addition, the attached accompanying ordinance will extend an increase in the Advanced Appraiser Certification allowance negotiated with represented units to non-represented employees.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve proposed premium rates for the County-sponsored Dependent Term Life Insurance for represented employees, for the period January 1, 2017, through December 31, 2019, as shown in Exhibit III.

2. Approve the accompanying ordinance amending Title 6 – Salaries of the Los Angeles County Code to increase the Advanced Appraiser Certification allowance in the Office of the Assessor.

3. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 13, 2017.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Purpose

The County maintains employee health, dental, group life, and other insurance programs to provide benefits that promote the effectiveness, health and welfare of its workforce. On September 13, 2016, your office approved the premium rates and/or agreements for all County and union-sponsored medical, dental, and life insurance plans for the 2017 calendar year. The purpose of the recommendations contained in this letter is to update you with a corrected premium rate in the agreement with Cigna Life Insurance for the 2017 calendar year.

Additionally, the Memorandum of Understanding (MOU) for Appraisers and Supervising Appraisers approved on January 26, 2016, provided for a $2 per pay period increase in the Advanced Appraiser Allowance effective October 1, 2015. The purpose of the ordinance accompanying this letter is to extend a corresponding increase to non-represented employees.

Justification

Overall Premium Negotiation Process and Results:

County-Sponsored Plans in General

The recommendations regarding the County-sponsored life insurance plans (Exhibits III) are the result of negotiations between the life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultant, Aon Hewitt (Aon). The unions' benefit consultants also provided input during the insurance carrier negotiation process for County-sponsored plans with benefits governed by the Fringe Benefits Memoranda of Understanding (MOUs) with Service Employees International Union (SEIU) Local 721 (Local 721) and the Coalition of County Unions (CCU).

The corrected rate for Dependent Term Life Insurance appears on Exhibit III, at the bottom of page 1 of 4. On the September 13, 2016, board letter your office approved, the dependent term life insurance rates displayed for 2016 and 2017 were identical. A correction was issued by our benefits consultant, Aon Hewitt, which lowered the rate from $0.876 to $0.832 per $5,000 of coverage per month.

Life Insurance and Disability Programs for Represented Employees

On September 13, 2016, the Board of Supervisors (Board) approved the basic term, optional group term life, and AD&D insurance rates reflected on the attached exhibit. For reference purposes, basic term life insurance rates for 2017 remained the same as 2016. Optional group term life decreased by 5 percent and AD&D insurance rates decreased 4.8 percent for 2017. The corrected dependent term life insurance rates will decrease 5 percent for 2017 with the approval of this Board letter. All aforementioned rates are guaranteed through 2019.

Additionally, as reflected on the attached exhibit, the Board approved the 2017 rates for Optional Group Variable Universal Life (GVUL), dependent term life insurance, and (Survivor Income Benefit (SIB) for non-represented employees which decreased for 2017 and are guaranteed through 2021.

Union Concurrence

On October 19, 2016, Local 721 and management representatives in the Joint Labor-Management Benefits Administration Committee were informed of this correction and voted to recommend the premium rates reflected in the attached exhibit for the Dependent Term Life Insurance with no opposition. The CCU was informed of this correction on October 20, 2016, and had no opposition.

Implementation of Strategic Plan Goals

The recommended action is consistent with the principles of the Countywide Strategic Plan by promoting the well-being of County employees and their families by offering comprehensive employee benefits, and with the goal of Operational Effectiveness/Fiscal Sustainability by providing for a wage and benefit structure that is fiscally responsible.

FISCAL IMPACT/FINANCING

Each cafeteria plan, including represented employee plans provided by MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. Employees pay for additional costs above and beyond the County contributions through payroll deductions.

The general facts concerning 2017 premium rates for County-sponsored plans affecting both represented and non-represented employees are detailed in the September 13, 2016, Board letter. The only correction to those rates is the dependent term life insurance premiums for represented employees referenced above.

Successor MOUs for Appraisers and Supervising Appraisers, Bargaining Units 131/132, were approved by the Board on January 26, 2016. A corresponding allowance for possessing Advanced Appraiser Certification is being extended to non-represented employees.

The accompanying ordinance amending Title 6 – Salaries of the Los Angeles County Code has been approved as to form by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Respectfully submitted,

Sachi A. Hamai
Chief Executive Officer

SAH:JJ:SK
MTK:SM:DC:mst

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Human Resources
SEIU Local 721
Coalition of County Unions
Aon Hewitt

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS CURRENT 2016 RATES AND PROPOSED 2017 RATES

	Monthly Cost per $1,000 of Insurance	
	2016[a]	**2017**[a]
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE	$0.146	$0.146

OPTIONAL GROUP TERM LIFE INSURANCE FOR REPRESENTED EMPLOYEES

Employee: The monthly premium per $1,000 of insurance is based on the employee's age as shown in the following table:

Age	2016[a]	2017[a]
Less than 30	$0.037	$0.035
30-34	$0.064	$0.061
35-39	$0.072	$0.068
40-44	$0.081	$0.077
45-49	$0.120	$0.114
50-54	$0.184	$0.175
55-59	$0.346	$0.329
60-64	$0.530	$0.504
65-69	$0.756	$0.718
70 and over	$1.454	$1.381

Dependent Term Life Insurance:	**2016**	**2017**
Cost per month per $5,000 of coverage, no matter how many eligible dependents employee may have.	$0.876	$0.832

Coverage is offered in increments of $5,000 up to $20,000.
Dependent coverage cost is charged to the employee.

[a] The County subsidizes 15% of the monthly premium.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2016 RATES AND PROPOSED 2017 RATES

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

	Current 2016 Rates		Proposed 2017 Rates	
	Employee Only	Employee & Dependents	Employee Only	Employee & Dependents
Employee Coverage	Plan G	Plan H	Plan G	Plan H
$ 10,000	$0.130	$0.250	$0.124	$0.238
$ 25,000	$0.330	$0.630	$0.310	$0.595
$ 50,000	$0.650	$1.250	$0.620	$1.190
$100,000	$1.300	$2.500	$1.240	$2.380
$150,000	$1.950	$3.750	$1.860	$3.570
$200,000	$2.600	$5.000	$2.480	$4.760
$250,000	$3.250	$6.250	$3.100	$5.950
$300,000	$3.900	$7.500	$3.720	$7.140
$350,000	$4.550	$8.750	$4.340	$8.330

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

The maximum insurance coverage amount for represented participants is $250,000.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS CURRENT 2016 RATES AND PROPOSED 2017 RATES

OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE FOR FLEX/MEGAFLEX PARTICIPANTS

Employee: The monthly premium per $1,000 of insurance is based on the employee's age as shown in the following table:

Age	2017 Rate*	Age	2017 Rate*	Age	2017 Rate*
20-24	$0.035	57	$0.260	77**	$1.908
25-29	$0.043	58	$0.293	78**	$2.154
30-34	$0.051	59	$0.328	79**	$2.427
35-39	$0.052	60	$0.368	80**	$3.133
40	$0.060	61	$0.415	81**	$3.616
41-42	$0.061	62	$0.458	82**	$3.944
43	$0.068	63	$0.492	83**	$4.300
44	$0.077	64	$0.546	84**	$4.685
45	$0.086	65	$0.567	85**	$5.112
46	$0.094	66	$0.637	86**	$5.559
47	$0.101	67	$0.677	87**	$6.048
48	$0.119	68	$0.754	88**	$6.572
49	$0.127	69	$0.838	89**	$7.112
50	$0.135	70	$0.923	90**	$7.663
51	$0.152	71	$1.020	91**	$8.243
52	$0.160	72	$1.133	92**	$8.838
53	$0.176	73	$1.244	93**	$9.453
54	$0.193	74	$1.376	94**	$10.077
55	$0.219	75	$1.517		
56	$0.236	76**	$1.685		

* Employee cost for MegaFlex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2016 RATES AND PROPOSED 2017 RATES

Dependent Term Life Insurance for Flex and MegaFlex Participants

Cost per month per $5,000 of dependent life coverage, up to $20,000.	**2017 Rate**
	$1.03

SURVIVOR INCOME BENEFIT - For MegaFlex participants enrolled in Retirement Plan E

	2017 Rates				
Employee Age	Employee Cost*				
	(10% Option)	(15% Option)	(25% Option)	(35% Option)	(50% Option)
Under 30	0.050%	0.080%	0.135%	0.185%	0.260%
30 to 34	0.070%	0.105%	0.170%	0.240%	0.345%
35 to 39	0.090%	0.135%	0.220%	0.315%	0.450%
40 to 44	0.125%	0.185%	0.315%	0.435%	0.620%
45 to 49	0.170%	0.250%	0.420%	0.585%	0.840%
50 to 54	0.220%	0.335%	0.555%	0.780%	1.110%
55 to 59	0.320%	0.480%	0.795%	1.125%	1.605%
60 to 64	0.435%	0.655%	1.090%	1.530%	2.185%
65 to 69	0.600%	0.900%	1.500%	2.100%	3.000%
70 and over	1.065%	1.600%	2.665%	3.730%	5.330%

* Employee cost for MegaFlex is half of the actual premium. The County pays the other 50%.

August 10, 2016

Attachment A

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2017 Renewal Results and Recommendations (Represented Plans)

Dear Eliza:

The following letter summarizes the 2017 renewal proposals for medical, dental, life and AD&D plans offered to the represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

The 2017 renewal was impacted by fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), the insurer fee and the reinsurance fee. The Transitional Reinsurance Fee was in place for 2014 – 2016 and was not extended beyond 2016. There was a one-year moratorium for the Health Insurance Industry Fee for 2017. As a result, the 2017 renewals for the County were favorably impacted. For the medical carriers, Cigna, Kaiser and United Healthcare (UHC), the cost impact was a reduction from what the renewal would have been of approximately 1.4% for Kaiser as a not-for-profit organization and 3.4% for CIGNA and UHC as for profit organizations. For the dental carriers, Delta Dental and Safeguard/MetLife, the cost reduction is between1.0% - 2.1%.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2017 is **3.1%,** or about **$27.9 million** over 2016 premiums. **The** initial proposed renewal increase for the represented medical plans was **3.8%**. Negotiated reductions to the medical renewals equate to approximately **$6.4 million** with no benefit changes. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2017 renewals offered by Cigna, Kaiser and UHC as outlined in the table below.

	Cigna (Choices & Options)	**Kaiser Choices**	**Kaiser Options**	**UHC Options**
Initial 2017 Renewal Action	+9.8%	+1.9%	+1.7%	+7.0%
Final 2017 Renewal Action	+8.0%	+1.9%	+1.7%	+ 5.0%

CIGNA's plans lost grandfathered status for 2015 and the UHC plans lost grandfathered status for 2016. The consequence of losing grandfathered status is that certain benefits will need to be changed. The changes will be favorable to the members as all day and/or dollar limitations on essential health benefits will be removed. There will be no reductions in member benefits. Kaiser maintained grandfathered status for 2016. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms, and negotiation results are outlined by carrier on the following pages.

Cigna

Cigna initially proposed a **9.8%** increase to the combined HMO and POS rates for 2016, representing an increase over 2016 premiums of approximately **$5.1 million; $3.77 million** for Choices and **$1.32 million** for Options.

Renewal discussions with Cigna targeted the following issues:

- Medical and pharmacy trend methodology
- Analysis of expense calculation
- High per member per month charge

The County's financial arrangement with Cigna provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the Premium Stabilization Reserve (PSR) and any shortfall is withdrawn from the PSR, to the extent that funds are available. The PSR had grown to a significant level by 2008 and a premium subsidy was applied to the 2009 renewal. No subsidy was applied to the 2010 rates. As claim experience deteriorated, the annual accounting resulted in a deficit, and the stabilization reserve was exhausted. Therefore, there has been no premium offset from the PSR for renewals from 2011 to 2016, and again there is no premium offset for 2017.The chart below summarizes the most recent five years of the PSR (updated based on settlements provided by Cigna).

	2011	2012	2013	2014	2015
Premium	$61,154,703	$61,520,806	$60,801,757	$56,937,422	$53,054,005
Year-end (PSR)	($414,033)	($1,320,683)	($1,238,710)	($5,316,794)	($1,442,064)
PSR % of Premium	-0.68%	-2.15%	-2.04%	-9.34%	-2.72%

Negotiations with Cigna resulted in a final **8.0%** increase. This amounts to an increase of approximately **$3.1 million** for Choices, and **$1.1 million** for Options over current costs, and a savings of approximately **$0.9 million** from Cigna's original proposal. We believe that Cigna has justified their renewal position and that the County should accept their offer.

Kaiser

Kaiser's initial and final renewal proposal was a **1.9%** increase for the Choices plan, representing an increase from 2016 premiums of approximately **$2.6 million**. Kaiser's renewal proposal for Options was a **1.7%** increase, representing an increase from 2016 premiums of approximately **$7.4 million.** Combined, Kaiser's initial renewal proposal for the represented population is a **1.8%** increase, representing an increase from 2016 premiums of approximately **$10.0 million**.

Kaiser's Southern California commercial trend rate for 2017 is projected to be 4.8%. Kaiser had performance guarantee penalties of $212,237 for Choices and $622,737 for Options, to be applied to the 2017 rates.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Large claims pooling point
- Medical and pharmacy claims trend
- Historical loss ratio
- ICM fees excess
- Incurred claims adjustment

Aon Hewitt negotiated with Kaiser, and Kaiser refused to move from the initial renewal increase of **1.9%** and **1.7%** above 2016 costs for the Choices and Options plan, respectively. Aon Hewitt believes that the requested rate increase for the Kaiser Permanente represented plans is reasonable and justified.

United Healthcare

UHC's initial renewal proposal was a **7.0%** overall increase. The increases were a **6.8%** increase to the HMO and a **23.9%** increase to the PPO rates for 2017, representing a total increase of approximately **$19.1 million** over current premiums. Discussions with UHC targeted the following key areas:

- Medical & pharmacy claims trend
- Capitation projections
- Pooling charges
- Retention
- Demographic adjustment

Negotiations with UHC resulted in an increase of **4.8%** for the HMO and a **23.9%** increase for the PPO, for a combined increase of **5.0%**, representing a total increase of approximately **$13.7 million,** and a total savings of **$5.5 million** over the initial renewal position. UHC had 2015 performance guarantee penalties of **$400,000**, to be applied to the 2017 rates.

The County's financial arrangement with UHC provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR and any shortfall is withdrawn from the PSR, to the extent that funds are available. No premium subsidy will be applied for 2017.

We believe that UHC has justified their renewal position and the County should accept their offer.

Dental Plans

Delta Dental

Delta initially proposed a **2.7%** decrease to the rates for 2017, representing a decrease over 2016 premiums of approximately **$2.05 million; $120,000** for Choices and **$1.93 million** for Options.

Negotiations with Delta resulted in a decrease of **4.8%** for Choices and a **6.9%** decrease for Options, for a combined decrease of **6.4%**, representing a total decrease of approximately **$4.76 million,** and a total savings of **$2.71 million** over the initial renewal position. The Delta DPPO had performance penalties of $62,567 for Choices and Options and the amount will be credited to the PSR. The DHMO plan had penalties of $13,893 which will be credited to the 2017 renewal. Beginning in January 2017, Delta Dental will pay interest on a monthly basis on the plus stabilization reserve balance for the DPPO plan at the end of the prior month. Interest will be paid at the 90-day Treasury Bill rate. Interest payments will be calculated separately for "Choices" and "Options" and credited to the plus stabilization reserve balance each month.

Safeguard Prepaid Dental

Safeguard initially proposed a **2.7%** increase to the rates for 2017, representing an increase over 2016 premiums of approximately **$62,000; $23,000** for Choices and **$39,000** for Options.

Negotiations with Safeguard resulted in a rate pass for Choices and Options. Due to 2015 performance guarantee penalties of **$4,390**, Safeguard's billed rates will be **0.2% less than the full renewal rates.**

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At this time, there is no surplus available. There were no changes to the basic life rates for 2017.

Cigna initially proposed a flat renewal for the employee and dependent supplemental life as well as the AD&D insurance. Negotiations with Cigna resulted in a 5% decrease on the employee supplemental life and a 4.8% decrease on the AD&D insurance. This is a three-year renewal and rates are guaranteed through December 31, 2019.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Pamela Missett– County of Los Angeles
Maryanne Keehn – County of Los Angeles
Susan Moomjean – County of Los Angeles
Robin Urban – County of Los Angeles
Stephen Caulk – Aon Hewitt, Denver
Linda Ung, Aon Hewitt, Los Angeles

Addendum

Process

The renewal request, analysis, and negotiation are multi-step processes, conducted over a period of several months. Requests for Renewal (RFRs) are drafted and reviewed by the Aon Hewitt and County stakeholders.

The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer with the authority to bind the carrier
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and legislative issues such as health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development, and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt meets with the County, the Unions and their respective consultants to solicit input and comments on the renewal proposals. All of the comments and input are summarized and communicated to the various carriers. Conference calls and meetings are held between Aon Hewitt and the County as needed to discuss the renewal results, negotiation process, and any open issues.

Responses from the carriers are due prior to the renewal meetings and the responses are delivered to all stakeholders concurrently. Final issues are reviewed in preparation for the renewal meetings.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEO offices, Union consultants, BAC and EBAC committees, and Aon Hewitt, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

Attachment B

August 10, 2016

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2017 Renewal Results and Recommendations (Non-Represented Plans)

Dear Eliza:

The following letter summarizes the 2017 renewal proposals for medical, dental, life and AD&D plans offered to the non-represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

The 2017 renewal was impacted by fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), the insurer fee and the reinsurance fee. The Transitional Reinsurance Fee was in place for 2014 – 2016 and was not extended beyond 2016. There was a one-year moratorium for the Health insurance Industry Fee for 2017. As a result, the 2017 renewals for the County were favorably impacted. For the medical carriers the cost impact was a reduction from what the renewal would have been of approximately 0.4% for Kaiser as a not-for-profit organization and 1.4% for Anthem as a for profit organization. For the dental carriers, Delta Dental and Safeguard/MetLife, the cost reduction is between 1.0 – 2.1%.

Medical Plans

Overview

For all non-represented medical plans, the final projected premium increase for 2017 is **3.5%**, approximately **$6.8 million** over 2016 premiums. The initial proposed renewal increase for the non-represented medical plans was **3.6%**. Negotiated reductions to the medical renewals equate to approximately **$101,000** with no benefit changes. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2017 renewals offered by Anthem and Kaiser. The Anthem Catastrophic plan lost grandfathered status for 2015. The Anthem and Kaiser HMO plans lost grandfathered status for 2016. The Anthem PPO and POS plan maintained grandfathered status for 2016. The consequence of losing grandfathered status is that certain benefits will need to be changed. The changes will be favorable to the members as all day and/or dollar limitations on essential health benefits will be removed. There will be no reductions in member benefits. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms and negotiation results are outlined by carrier on the following pages.

	Anthem	Kaiser
Initial 2017 Renewal Action	+1.4%	+7.6%
Final 2017 Renewal Action	+1.3%	+7.6%

Anthem Blue Cross

The Anthem Blue Cross program is a minimum premium arrangement, where expected and maximum liability costs are projected based on prior claims experience and the fixed costs associated with administration of the plan. The Anthem maximum liability costs are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a **1.4%** increase across all plans or about **$1.8 million** over 2016 costs. All plans include specific stop loss of $300,000 per individual. Aggregate stop continues at 110% of projected claims for all Anthem lines of coverage.

Renewal discussions with Anthem targeted the following key areas:

- Retention increase
- Pooling charges
- Medical and pharmacy trends by product
- Capitation rates

Negotiations resulted in an overall increase of **1.3%** across all plans or about **$1.7 million** over 2016 costs, with negotiated reductions of approximately **$101,000**.

Anthem provided their 2015 performance guarantee report and applied the penalty of **$199,548** as a credit to the County's July 2016 invoice, so there is no direct impact to the renewal.

Vision benefits for the HMO, POS and PPO plans are offered on a non-participating fully insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit (coverage for laser eye surgery) that is self-insured by the County. The insured portion of the VSP benefit renewed is on a rate guarantee through 12/31/2018. The cost of the vision program is included in the Anthem renewals described above.

We believe Anthem's most recent renewal proposal is justified and recommend that the County accept it.

Kaiser

Kaiser's initial and final renewal proposal was a **7.6%** increase or about **$5.1 million** above 2016 costs for the Flex/MegaFlex plan. Kaiser had performance guarantee penalties of $103,199 for the non-represented population that will be applied to 2017 rates.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Large claims pooling point
- Medical and pharmacy claims trend
- Historical loss ratio
- ICM fees excess
- Incurred claims management

We negotiated with Kaiser, and Kaiser refused to move from the initial renewal increase of 7.6% above 2016 costs for the Flex/MegaFlex plan. We believe Kaiser's renewal proposal is justified and recommend that the County accept it.

Recalibration of Medical Plan Rates

In an analysis Aon conducted for the County, we determined that the current ratio of the employee only rates is out of line with the actual costs by dependent tier as well as the contributions made by the employees. We informed Anthem and Kaiser of the County's desire to recalibrate rates to continue to reflect the expected costs by tier and they support the change. Therefore, we propose to recalibrate the rates as well as the employee contributions towards the expected cost of the medical plans for 2017 in a cost-neutral manner for the County and the employees.

Dental Plans

Delta Dental

Delta initially proposed a **1.2%** decrease to the rates for 2017, representing a decrease over 2016 premiums of approximately **$146,000**.

Negotiations with Delta resulted in a decrease of **2.0%**, representing a decrease of **$252,000,** and a total savings of **$106,000** over the initial renewal position. The Delta DPPO had performance penalties of $10,415 and the amount will be credited to the PSR. The DHMO plan had penalties of $1,350 which will be credited to the 2017 renewal. Beginning in January 2017, Delta Dental will pay interest on a monthly basis on the plus stabilization reserve balance at the end of the prior month. Interest will be paid at the 90-day Treasury Bill rate. Interest payments will be calculated separately for "Flex/MegaFlex" and credited to the plus stabilization reserve balance each month.

Safeguard Prepaid Dental

Safeguard initially proposed a **2.7%** increase to the rates for 2017, representing an increase over 2016 premiums of approximately **$6,000**.

Negotiations with Delta resulted in a rate pass and a total savings of **$6,000** over the initial renewal position. Due to 2015 performance guarantee penalties of **$359**, Safeguard's billed rates will be **0.2% less than the full renewal rates.**

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At this time, there is no surplus available. There were no changes to the basic life rates for 2017.

Cigna initially proposed a flat renewal for the employee and dependent supplemental AD&D insurance. Negotiations with Cigna resulted in a 4.8% decrease on the AD&D insurance.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Pamela Missett – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Susan Moomjean – County of Los Angeles
Robin Urban – County of Los Angeles
Stephen Caulk – Aon Hewitt, Denver
Linda Ung, Aon Hewitt, Los Angeles

Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting with the County begins the process in which objectives for the following plan year are established. This process was conducted by the County and Aon Hewitt.

Based on the planning meeting discussions, a Request for Renewal (RFR) was drafted. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer of the carrier with the authority to bind their proposal
- Questionnaire targeting key County objectives and issues, including rate development, utilization, legislative issues such as mental health parity and health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt solicits input and comments from the County, and their comments are incorporated into the communications to the . Conference calls and meetings are held between Aon Hewitt and the County as needed to discuss the renewal results, negotiation process and any open issues.

Responses to the communications are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon Hewitt, and carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

Attachment C

County of Los Angeles
2017 Renewal Results

	2016 Current Plan	2017 Initial Renewal Current Plan	2017 Negotiated Renewal Current Plan	% Change from 2016	Negotiated Savings	Performance Guarantee Credits	Total Change from Base Renewal
Flex/MegaFlex							
Kaiser	$66,908,359	$71,980,509	**$71,980,509**	7.6%	$0	$103,199	($103,199)
Anthem[1]	$124,976,400	$126,757,027	**$126,656,028**	1.3%	$101,000	$199,548	($300,548)
Options							
Kaiser[2]	$428,660,920	$436,108,768	**$436,108,768**	1.7%	$0	$622,737	($622,737)
Cigna[3]	$13,519,829	$14,844,471	**$14,601,171**	8.0%	$243,300	$0	($243,300)
UnitedHealthcare	$271,525,512	$290,640,133	**$285,179,617**	5.0%	$5,460,516	$400,000	($5,860,516)
Choices							
Kaiser[2]	$138,562,566	$141,151,226	**$141,151,226**	1.9%	$0	$212,237	($212,237)
Cigna[3]	$38,505,002	$42,278,823	**$41,585,759**	8.0%	$693,065	$0	($693,065)
Total Medical[4]	$1,082,658,589	$1,123,760,959	**$1,117,263,078**	3.2%	$6,497,881	$1,537,721	($8,035,602)
Delta PPO & DeltaCare HMO[2]							
Flex	$12,411,099	$12,265,160	**$12,158,684**	-2.0%	$106,477	$11,765	($118,242)
Options	$55,577,574	$53,647,353	**$51,742,542**	-6.9%	$1,904,812	$55,606	($1,960,418)
Choices	$19,380,726	$19,260,854	**$18,453,729**	-4.8%	$807,125	$20,855	($827,980)
Safeguard[2]							
Flex	$188,502	$194,028	**$188,502**	0.0%	$5,526	$359	($5,884)
Options	$1,327,899	$1,366,864	**$1,327,899**	0.0%	$38,964	$2,576	($41,541)
Choices	$775,097	$797,850	**$775,097**	0.0%	$22,753	$1,479	($24,232)
Total Dental[4]	$89,660,897	$87,532,110	**$84,646,454**	-5.6%	$2,885,656	$92,640	($2,978,296)
Cigna Basic Life	$615,681	$615,681	$615,681	0.0%	$0	$0	$0
Cigna AD&D	$4,471,231	$4,471,231	$4,257,972	-4.8%	$213,259	$0	($213,259)
Cigna Optional Employee Life	$36,028,267	$36,028,267	$34,238,043	-5.0%	$1,790,224	$0	($1,790,224)
Cigna Dependent Life	$1,652,266	$1,652,266	$1,652,266	0.0%	$0	$0	$0
Total Life & AD&D[5]	$42,767,445	$42,767,445	**$40,763,961**	-4.7%	$2,003,484	$0	($2,003,484)
TOTAL	$1,215,086,931	$1,254,060,514	**$1,242,673,493**	2.3%	$11,387,021	$1,630,361	($13,017,382)

Footnotes:

1. Anthem rates are calculated based on an expected premium basis plus 1% claims margin
2. Performance guarantee penalties are reported together by carrier but are shown split by group based on premium volume; penalty amounts are credited by a billed rate reduction from full renewal rate
3. Cigna does not incorporate performance guarantee penalties into rates; penalty amounts are credited to the PSR
4. Medical & dental premiums are calculated using January 2016 enrollment to project estimated annual cost
5. Life & AD&D premiums are calculated using February 2016 premium payments to project estimated annual cost
6. Underlying rates are rounded to two decimal places; percentages shown are rounded to one decimal point

County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

SACHI A. HAMAI
Chief Executive Officer

DRAFT

November 22, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

AUTHORIZATION TO EXTEND CONTRACT 75928 FOR THIRD PARTY ADMINISTRATOR MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES (ALL DISTRICTS – 3 VOTES)

SUBJECT

This recommendation by the Chief Executive Office (CEO) seeks the Board's approval to execute Amendment Eight to extend the term of the current contract for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services (Medical Malpractice Services) with Sedgwick Claims Management Services (Sedgwick), for a period of six (6) months, effective January 1, 2017. Upon completion of negotiations, the aforementioned Medical Malpractice Services contract will be terminated for convenience.

IT IS RECOMMENDED THAT THE BOARD:

Approve and instruct the CEO, or designee, to execute Amendment Eight, substantially similar to Exhibit I attached, to extend Contract No. 75928 for Medical Malpractice Services (Contract) with Sedgwick for an additional six (6) months, beginning January 1, 2017 through June 30, 2017, to include the contract obligation of $1,161,000, for a total maximum contract authority of $28,960,000, which is 100 percent offset by the Insurance budget.

Delegate authority to the CEO, or designee, to terminate this contract for convenience, if necessary. CEO will provide notification to the Board two (2) weeks prior to the initiation of the termination for convenience.

DRAFT

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommendation for the aforementioned services will allow for the continuation of vital, State-mandated risk management services for an additional six (6) months, as these services will expire on December 31, 2016. The extension of Amendment Eight listed above will permit no disruption in services, the completion of a highly complex Request for Proposals (RFP), and, if necessary, the appropriate transition of hard-copy files, client notification(s), client orientation to new location(s), fiber optic installation, and system integrations under a new Contract which will go to the Board for approval by the fourth quarter of Fiscal Year 2016-17.

An RFP was first released on October 20, 2014, to solicit proposals from qualified and highly experienced proposers, to replace the current contract effective January 1, 2007. The RFP process was cancelled on February 4, 2015, to encourage more competition, ensure services are provided at the highest quality level, and at the best possible pricing to make certain that County bid offers result in cost-effective service delivery as these services are under Proposition A requirements and subject to the Living Wage Program, Los Angeles County Code, Chapter 2.201, Ordinance No. 99-0048, as adopted by the Board on July 22, 1999.

A new RFP was released on March 25, 2015, with the intention of the solicitation process being completed before the contract's expiration on December 31, 2016; however, resources were unexpectedly shifted to a critical assignment which delayed the project for several months. The extension of the current contract is needed to allow for the sufficient transition time of sixty (60) days to implement the contract upon completion of the protest process and successful negotiations.

Transition will require the recommended contractor to staff, train, and establish telecommunication networks to access the County's Risk Management Information System. Sufficient transition time is required to ensure case files and pending medical malpractice lawsuits can be appropriately administered and defended. Approving the recommended extension will guarantee there is no lapse in critical and State-mandated services to the County.

Implementation of Strategic Plan Goals

The services provided under this current contract support the County's Strategic Plan Goal One, Operational Effectiveness/Fiscal Sustainability, by providing vital risk management services through County departments, and for County Third Party Administrators (TPAs) to improve the effectiveness of Countywide risk management activities.

FISCAL IMPACT/FINANCING

Funding for Amendment Eight for Medical Malpractice Services with Sedgwick is included in the Fiscal Year 2016-17 Adopted Budget. In accordance with County policy, the current contract contains a Cost-of-Living Adjustment (COLA) provision, whereby, the CEO may increase the contractor's compensation during the extension, capped at the lesser of the generated salary movement percentage for County employees as of July 1, 2016, or the Los Angeles-Riverside-Orange County Consumer Price Index for Urban Consumers (CPI-U) for 2015.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County's Self-insured medical malpractice and hospital liability program is responsible for the administration of approximately 300 new claims and 90 lawsuits on an annual basis. CEO staff provides assistance to TPA staff, County Counsel, and County departments. In addition, CEO staff authorizes high-value payment transactions and act as liaisons between departments, defense counsel, and TPAs. County Counsel staff and contracted defense attorneys provide legal support.

After a formal solicitation, the Board approved the current contract in November 2006, effective January 1, 2007. The contract has been amended on several occasions and the latest amendment was executed on July 21, 2015, which allowed for the current contract extension through December 31, 2016.

CONTRACTING PROCESS

The approval of this recommended extension will allow for the completion of the protest process, negotiations, and transition to the new Contract upon completion of the Medical Malpractice Services RFP process for the above referenced services. Upon the Board's approval, the new Contract will be effective upon execution.

On November 14, 2006, the Board approved Contract No. 75928 with Sedgwick, (formerly Octagon Risk Services) for the period of January 1, 2007 through December 31, 2008.

On December 4, 2007, the Board approved a subsequent extension for one (1) optional year renewal, for the period of January 1, 2008 through December 31, 2008. On November 18, 2008, the Board approved subsequent extensions for the remaining three (3) optional year renewals, for the period of January 1, 2009 through December 31, 2011.

On December 30, 2009, under the Countywide Contract Extension and Reduction Initiative, Sedgwick agreed to reduce its fees by five percent (5%) in exchange for a guaranteed two (2) year extension at the end of the initial contract term. The contract was extended for two (2) additional extension years for the period of January 1, 2012 through December 31, 2013. On June 19, 2012, the Board approved an extension for an additional two (2) optional year renewals in exchange for a contract cost reduction of 20 percent (20%), for the period of January 1, 2014 through December 31, 2015.

On July 21, 2015, the Board approved a one (1) year extension for the period of January 1, 2016 through December 31, 2016, to allow for the evaluation process to be strengthened and ensure the most qualified proposer is recommended for award.

Due to the complexity of the RFP protest process, and, if necessary, fiber optic installation and system integration, a more adequate transition time of sixty (60) days is required to implement services with the recommended proposer. The CEO projects completion of the entire RFP process by no later than the fourth quarter of FY 2016-17; thus a six (6) month extension will provide that opportunity.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the contract extension will provide for the uninterrupted, State-mandated risk management services, completion of the solicitation process, and transition to the new Contract.

CONCLUSION

Upon approval by the Board, please return one adopted copy of the letter to the CEO Risk Management Branch, attention Steven T. Robles, County Risk Manager.

Respectfully submitted,

SACHI A. HAMAI
Chief Executive Officer

SAH:JJ
STR:AR:KS:KSJ:sg

Attachment (1)

c: Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel

COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE
MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES CONTRACT NO. 75928

AMENDMENT EIGHT

This Amendment Eight (the "Amendment") to the Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services Contract, Contract No. 75928 ("Contract"), is entered into as of this ______ day of _____________, 2016 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and Sedgwick Claims Management Services ("Contractor"), as amended by Amendment One on October 18, 2007; Amendment Two on December 4, 2007; Amendment Three on November 18, 2008; Amendment Four on December 30, 2009; Amendment Five on November 14, 2011; Amendment Six on June 19, 2012; and Amendment Seven on September 30, 2015:

Recitals

WHEREAS, on November 14, 2006, the County entered into the Agreement with the Contractor (hereinafter collectively the "Parties") for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services; and

WHEREAS, the County Board of Supervisors ("Board") approved the original term of the Agreement for one (1) year, effective January 1, 2007 through December 31, 2007; and

WHEREAS, on December 30, 2009, the parties mutually agreed on Amendment Four to extend the term of the Agreement by two (2) additional option renewal years past the original contract termination date in exchange for a reduction of five percent (5%) in annual costs in concurrence with the County's Contract Cost Reduction Initiative and to add County-mandated provisions regarding the County's Defaulted Tax Reduction Program; and

WHEREAS, on July 21, 2015, the Board approved CEO's request to execute a one-year extension through December 31, 2016, to Agreement No. 75928 under Amendment Seven for the aforementioned services; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the Parties that the Agreement be amended as follows:

1. This Amendment Eight shall commence and be effective on January 1, 2017.

2. **Contract Paragraph 4.1**, shall be deleted in its entirety and replaced with the following;

   "**4.1** The term of the Contract shall commence on January 1, 2007, and shall expire on June 30, 2017, unless sooner terminated, in whole or in part, as provided in this Contract."

3. **Contract Exhibit B.4, Pricing Schedule**, shall be replaced in its entirety with **Exhibit B.5. Pricing Schedule**. Any reference to Exhibit B, B.1, B.2, B.3, B.4 shall be Exhibit B.5, effective upon execution.

4. Except for the changes set forth hereinabove, the Agreement shall not be changed in any respect by this Amendment Eight. All changes set forth in this Amendment shall be effective on January 1, 2017, and have no retroactive effect.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment Eight to be executed on its behalf by its duly authorized officials.

COUNTY OF LOS ANGELES	**SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.**
Name: ____________________________ SACHI A. HAMAI	Name:____________________________
Title: __Chief Executive Officer_______	Title:______________________________
Date: _____________________________	Date:______________________________

APPROVED AS TO FORM:
MARY C. WICKHAM
County Counsel

By:_____________________
Behnaz Tashakorian
Senior Deputy County Counsel

MEDICAL MALPRACTICE AND HOSPITALITY LIABILITY CLAIMS ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES
CONTRACT NO. 75928

EXHIBIT B.5
PRICING SCHEDULE
EFFECTIVE JULY 1, 2012 – JUNE 30, 2017

1. **The Parties agreed that this revised PRICING SCHEDULE replaced the prior Pricing Schedules, effective July 1, 2012. The Parties have mutually agreed to the compensation set forth below to Contractor for the period of July 1, 2012 through June 30, 2017, in consideration for the extension of the Contract through June 30, 2017, and the agreed-upon revisions to the Statement of Work.**

   In 2012, the Contractor agreed to an effective compensation reduction of 20% from its current compensation at that time ($2,797,124.00 per annum) in consideration of the contract extension and the revisions to the Statement of Work.

2. **FIXED RATE FOR THE PERIOD JULY 1, 2012 THROUGH DECEMBER 31, 2012: $1,118,849.60 [Reduction of $279,712.40]**

3. **FIXED RATE FOR THE PERIOD JANUARY 1, 2013 THROUGH DECEMBER 31, 2013: $2,265,670.44 [Reduction of $531,453.56]**

4. **FIXED RATE FOR THE PERIOD JANUARY 1, 2014 THROUGH DECEMBER 31, 2014: $2,237,699.20 [Reduction of $559,424.80]**

5. **FIXED RATE FOR THE PERIOD JANUARY 1, 2015 THROUGH DECEMBER 31, 2015: $2,209,727.96 [Reduction of $587,396.04]**

6. **FIXED RATE FOR THE PERIOD JANUARY 1, 2016 THROUGH DECEMBER 31, 2016: $2,209,727.96 [PRICE SHALL REMAIN AT 2015 FIXED RATE]**

7. **FIXED RATE FOR THE PERIOD JANUARY 1, 2017 THROUGH JUNE 30, 2017: $1,104,863.98 [PRICE SHALL REMAIN AT 2015 FIXED RATE PRORATED SIX MONTHS]**