

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
25	05/14/12	Open	Action	04/23/12

Subject: Delegating Authority to Release RFP for OCIP Insurance Broker Services for the South Sacramento Corridor Phase 2 Construction Project

## ISSUE

Whether to delegate authority to the General Manager to release a Request for Proposal (RFP) for the Services of and Insurance Broker for an Owner Controlled Insurance Program (OCIP) for the South Sacramento Corridor Phase 2 (SSCP2) Construction Project.

## RECOMMENDED ACTION

Adopt Resolution 12-05-\_\_\_\_, Delegating Authority to the General Manager/CEO to Release a Request for Proposal (RFP) for the Services of an Insurance Broker for an Owner Controlled Insurance Program (OCIP) for the South Sacramento Corridor Phase 2 Construction Project.

## FISCAL IMPACT

There is no fiscal impact as the result of approving this action.

## DISCUSSION

RT generally requires its contractors to procure general liability, auto, and worker's compensation insurance coverage for any RT construction project. However, pursuant to California Government Code Section 4420(b), RT may use an Owner Controlled Insurance Program (OCIP) to potentially control insurance cost by shifting risk to RT. Under an OCIP, a project owner consolidates certain insurance coverages under a policy held by the project owner for the benefit of all contract participants working on the project. RT staff would like to evaluate whether an OCIP would be beneficial to RT for the SSCP2 project because it could assist RT in expanding contracting opportunities to small-business contractors that might not otherwise bid on the SSCP2 project because of the insurance requirements.

Under an OCIP, insurance costs would be consolidated under an umbrella policy that covers all contractors working on the project. RT would pay the premium and presumably, contracting costs would be reduced since contractors would pass on savings associated with not having to secure insurance for the work they will perform on RT's project. It would also decrease overall insurance costs because rather than having several smaller policies held individually by different contractors working on the project, there would be one umbrella policy that overall would cost less than the contractors' individual policies. With an OCIP, RT would also control the safety program for the project, which presumably could result in cost-savings since the safety program would be consolidated under RT.

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Approved:

Presented:

Final 5/7/12

General Manager/CEO

Chief Administrative Officer / EEO

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However, before RT can adopt an OCIP, it must comply with the provisions of California Government Code Section 4420(b) which requires a public agency to conduct a relative benefits analysis weighing cost, safety, claims handling, administrative, legal, community and construction industry considerations and opportunities to enhance outreach to small-business contractors. If, after the necessary analysis is completed, an OCIP is deemed to be cost-effective and maximizes savings to tax-payers, then the public agency may adopt and implement an OCIP program.

The first step in that analysis is to conduct a feasibility study. RT staff hired a consultant to perform the required initial feasibility study to evaluate whether an OCIP program for the SSCP2 project is in RT's best interest. The feasibility study showed that use of an OCIP program for SSCP2 could result in some cost savings to RT. However, the margin of savings will not be fully known until RT sets out to procure the coverages needed in the market place. Consequently, in order to fully determine whether it is the best use of the public's money and in RT's financial interest to use an OCIP as opposed to a more traditional insurance program, RT staff proposes employing an insurance broker to investigate the insurance markets and provide RT with actual cost information so that RT can evaluate whether an OCIP is truly in RT's best interest for its SSCP2 project.

RT staff is still working on the scope of work for the RFP but time is of the essence. As such, staff recommends that the Board delegate authority to the General Manager/CEO to release the RFP for an insurance broker to price and place and OCIP for the SSCP2 project for RT.

RESOLUTION NO. 12-05-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

May 14, 2012

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO RELEASE A  
REQUEST FOR PROPOSAL (RFP) FOR THE SERVICES OF AN INSURANCE  
BROKER FOR AN OWNER CONTROLLED INSURANCE PROGRAM (OCIP) FOR  
THE SOUTH SACRAMENTO CORRIDOR PHASE 2 CONSTRUCTION PROJECT**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE  
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby delegates authority to the General Manager/CEO to  
release a Request for Proposal for the services of an insurance broker for an OCIP, for the  
SSCP2 construction project, upon review and release by the Chief Legal Counsel.

THAT, upon release of the RFP, the General Manager/CEO advertise the  
solicitation of proposals pursuant to the provisions of the RT Procurement Ordinance.

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BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary