

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, February 22, 2012 – 11:45 A.M.**

TO: Business Affairs Committee of the Board of Trustees
FROM: Thomas R. Hawk
DATE: February 17, 2012
SUBJECT: Committee Meeting

A meeting of the Business Affairs Committee of the Board of Trustees will be held on **Wednesday, February 22, 2012 at 11:45 A.M.** in the College's **Isadore A. Shrager Board Room, M2-1**. Lunch will be provided.

AGENDA – PUBLIC SESSION

(1) 2011-12 Fiscal Year Budget Status Report (Information Item):

Dr. Hawk and Mr. Spiewak will provide an overview of the College's budget status for fiscal year 2011-12. The implications of the key factors currently impacting on the budget will be discussed.

(2) Insurance Broker RFP (Action Item):

The College's contract with the current insurance broker, Willis of PA, expires June 30, 2012. Willis has served as the College's insurance broker since July 1, 2007. An RFP process was used to solicit proposals for the College's insurance broker services for a three-year period of time, with two option years commencing July 1, 2012.

The following services are expected to be provided by the insurance broker:

- Marketing of the College's insurance program to include analysis of all risk financing alternatives.
- Preparation of insurance coverage specifications and assistance with preparing underwriter applications.
- Assistance in establishing insurable values.
- Issuance of Certificates of Insurance and Automobile ID cards as required. Obtaining motor vehicle reports on drivers as required.
- Summary of Insurance upon renewal.

- Periodic reports and meetings including an annual stewardship report.
- Loss control and engineering services as required.
- Participation in monthly Safety Committee meetings.
- Ensuring that all underwriters provide loss runs, as appropriate. Providing summarization of loss runs by category and dollar level.
- Assistance in the performance of risk identification, consideration of risk financing alternatives and the analysis of loss data.
- Assisting with any insurance company audits, retrospective ratings or other premium adjustment calculations.
- Assistance in reviewing and updating an internal Risk Management Manual and an annual Risk Management Program.
- Assistance in reviewing contracts for unwanted assumption of risk.
- Claims assistance.

There were four responses to the RFP. Firms providing responses for each of the three contract years were: Willis of PA, Arthur J. Gallagher Risk Management Services, Inc., PK Financial Group, and Aon.

The proposed fees for services by the four firms were as follows:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Willis of PA	\$50,000	\$50,000	\$50,000
Arthur J. Gallagher	\$58,000	\$59,740	\$61,532
PK Financial Group	\$65,000	\$65,000	\$65,000
Aon	\$56,500	\$56,500	\$56,500

Attachment A provides an analysis of the firms' proposals and the justification for awarding the contract to Willis.

Staff request that the Committee recommend to the full Board that the College be authorized to enter into a three year contract with Willis of PA, with two option years commencing July 1, 2012 with a 2012-13 annual fee of \$50,000.

(3) Lease of Indigo Press (Action Item):

The College has been leasing a Kodak NexPress 2100 digital press since March of 2007. This equipment allows Business Services to produce very high quality, four-color, commercial grade marketing materials (posters, brochures, program descriptions, informational pamphlets). Prior to the acquisition of the NexPress, a significant amount of this work had previously been outsourced to commercial offset print houses.

During the past few months, staff from Business Services along with the College's Director of Communications, have been researching and sampling various equipment as a replacement. The requirements of the replacement equipment include the following:

- the ability to do variable data printing
- produce 3 million copies per year (250,000 per month)
- print at a minimum speed of seventy (70) pages per minute
- accept paper up to 12 inches by 18 inches
- ability to print 80# and 100 # cover stock
- be able to accept various layouts as designed by the College's Office of Communications
- ease of use
- ability to print specific marketing colors

Two models each of equipment manufactured by Hewlett Packard, Xerox and Kodak were investigated. In addition to the requirements listed above, the equipment was evaluated based upon the copy quality, the color capabilities, reliability, cost of operation, and cost of equipment.

The Xerox equipment was eliminated from consideration because these units are four-color presses that lack red toner stations or spot color stations and thus cannot produce the College's marketing colors as required by the Office of Communications. The Kodak units reviewed met all of the requirements noted above. However, the costs of the Kodak units were significantly higher than the cost of the unit being replaced. Staff are also concerned about the financial condition of the Kodak Company and how that might impact future maintenance and supply replenishment.

The HP Indigo 5500 is the replacement unit recommended by staff. As with the Kodak units, the HP units met all of the requirements. In comparison to the Kodak units, the HP Indigo 5500 has a purchase price less than the Kodak units and has significantly lower maintenance costs and consumable costs. The HP unit uses liquid ink which more closely matches the look and feel of an offset printed image. It also increases the color options from five to seven allowing for the matching of more individual colors. The copy quality of the HP Indigo 5500 units was deemed to be outstanding and the best of all the units reviewed.

Based upon its price and quality, HP has captured 51 percent of the world market for this type of digital press. Below is a comparison of both purchase price and operating costs of the current Kodak NexPress unit and the recommended HP Indigo 5500 unit.

	Monthly	Annual	5 year Totals
Current Expenses NexPress			
Lease	\$6,600	\$79,200	\$396,000
Service	\$3,950	\$47,400	\$237,000
Consumables	\$8,600	\$103,200	\$516,000
Totals for NexPress	\$19,150	\$229,800	\$1,149,000
Proposed Expenses Indigo 5500			
Lease	\$6,157	\$73,884	\$369,420
Service	\$1,700	\$20,400	\$102,000
Consumables	\$5,000	\$60,000	\$300,000
Totals for Indigo 5500	\$12,857	\$154,284	\$771,420
Savings	\$6,293	\$75,516	\$377,580

Assuming competitive lease rates, the College will lease directly from HP. This will allow the College to terminate the lease prior to lease expiration if the College enters into an acquisition agreement for another HP digital press. This allows the College to upgrade to another unit should technology changes make this desirable.

Action: Staff recommend entering into a five year lease for an HP Indigo 5500 digital color press effective July 1, 2012.

(4) Update on Technology Plan (Information Item):

As requested by the Committee at its last meeting held on January 18, 2012, Ms. Bauer will present an overview of the comprehensive plan for future directions in technology. She will discuss how CCP's leadership in technology will underpin learning at the College now and in the future.

(5) Update on Construction Projects (Information Item):

Mr. Bixby will summarize progress to date on the current construction projects.

(6) Next Meeting Date

The next meeting of the Committee is scheduled for Wednesday, March 21, 2012 at 9:00 A.M.

TRH/lm

Attachments

c: Ms. Varsovia Fernandez
Dr. Stephen M. Curtis
Ms. Jody Bauer
Mr. Gary Bixby
Mr. Jim Spiewak

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ATTACHMENT A

**BACKGROUND INFORMATION ON THE PROCESS AND CRITERIA
USED TO DEVELOP THE RECOMMENDATION TO AWARD A THREE
YEAR CONTRACT TO WILLIS FOR INSURANCE BROKER SERVICES
EFFECTIVE JULY 1, 2012**

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The College's contract with the current insurance broker, Willis, expires June 30, 2012. Although staff are very satisfied with the services provided by Willis, this professional service had not been subject to a bid process since 2007. An RFP process was used to solicit proposals for the College's insurance and risk management services for a three-year period beginning with the services required for the College's July 1, 2012 insurance renewal date. Proposals were requested from: Marsh Inc., Aon Inc., Arthur J. Gallagher Risk Management Services, Willis of Pennsylvania, Inc., PK Financial Group, Exude Benefits, and Maran Corporate Risk Associates. Proposals were received from Aon, Gallagher, Willis and PK Financial Group.

The proposals were reviewed by a committee consisting of Tom Hawk (VP for Planning & Finance), Jill Weitz (In-House Counsel & VP, Human Resources), Agnes Trummer (HR Associate Director Employee Benefits), Marsia Henley (Purchasing Manager) and Jim Spiewak (Assistant VP, Budgets & Financial Services). In evaluating the proposals and the subsequent interviews, the committee members utilized the selection criteria outlined in the RFP: (1) ability to meet specified qualifications; (2) quality of responses to requested services; (3) cost of services (4) experience with higher education clients; (5) credentials of firm and proposed account team members; (6) evidence of continued commitment to account; (7) references; (8) the firm's higher education insurance market understanding and access, and the ability to benchmark and assess insurance coverages and limits; (9) the firm's understanding of risk issues and risk trends in higher education; (10) the ability of the firm to support the College's efforts to develop a comprehensive enterprise risk management plan; and (11) the firm's willingness and capacity to support the College's current risk management initiatives.

After reviewing the proposals presented by the four firms, committee members agreed that the three strongest proposals were from Aon, Gallagher and Willis. However, the committee agreed to invite all four firms for the interview process since PK Financial Group's proposal did adequately address the critical components of the RFP. All four firms made acceptable presentations and provided assurances that they could meet the minimum service expectations required by the College. However, as a result of the interview process, the committee members felt there were important differences among the firms with respect to both cost and the quality and level of services that could be provided.

The costs also varied, with the incumbent, Willis, proposing the lowest cost structure and PK Financial Group proposing the highest costs.

Insurance Broker Costs

<u>FY</u>	<u>Aon</u>	<u>Gallagher</u>	<u>Willis</u>	<u>PK Financial</u>
2012-13	\$ 56,500	\$ 58,000	\$ 50,000	\$ 65,000
2013-14	56,500	59,740	50,000	65,000
2014-15	56,500	61,532	50,000	65,500
Three Year Cost	\$169,500	\$179,272	\$150,000	\$195,000

Overall Evaluation

	<u>Aon</u>	<u>Gallagher</u>	<u>Willis</u>	<u>PK Financial</u>
Meet specified Qualifications	yes	yes	yes	yes
Quality of responses to requested services	good	excellent	excellent	good
Experience with higher education clients	good	very good	very good	weak
Credentials of firm and account team	excellent	excellent	excellent	good
Evidence of commitment to account	good	good	good	good

The committee asked all the firms a number of questions in order to better assess their capabilities and responsiveness. All firms were asked the same questions and there was considerable dialogue that took place between the committee members and the broker firms during the interview process. As a result of the proposal review and interview process, the committee unanimously agreed that the College would be best served by Willis. The points below support the committee's recommendation of Willis.

- The quality of all firms' responses to the RFP in concert with their answers to questions during the interview process, indicated that, for the most part, they understood the service needs of the College; understood the risk factors impacting higher education in general, and CCP in particular; and had the willingness and capacity to support the College's current risk management initiatives and could support an enterprise risk management exercise. The level that each team understood the risk trends in higher education and their individual involvement in insurance industry and higher education organizations and associations was varied, but it appeared all had a commitment to stay abreast of evolving higher education risk management issues.

- Of all the firms, Willis represents the highest number of local higher education clients. Locally, they serve Delaware County Community College, Montgomery County Community College, Villanova University, Lehigh University, Alvernia University, Moravian University, University of the Arts, Delaware Valley College, and the Pennsylvania Academy of the Fine Arts. They are also the insurance broker for Community College of Allegheny County which is serviced from their Pittsburgh office. Aon has a large number of higher education clients but none of these clients are served from the Philadelphia office. Gallagher also has a large number of higher education clients including Peirce College and Lafayette College. These two clients, and Westmoreland County Community College and Butler County Community College are serviced through their Johnstown, PA office. CCP would also be serviced through their Johnstown, PA office. Although PK Financial Group had several local non-profit clients, Lincoln University is their only higher education client. Aon, Willis and Gallagher all have a higher-education-practice group. Both Gallagher and Willis have representatives that are on the broker advisory committee of United Educators. Gallagher is also a member of the PSBA broker advisory committee.
- The committee was satisfied with the credentials of all four firms as well as with the qualifications of the proposed account team members. Aon, Willis and Gallagher are all in the top five largest insurance brokers in the U.S. PK Financial, by contrast, is a small local firm with less than ten professionals.
- Based upon the firm's answers to committee members' questions concerning planning an enterprise risk management exercise, the committee felt that all firms had the local and/or national expertise to assist the College in developing a comprehensive enterprise risk management plan. However, the approaches recommended by Aon and PK Financial were less comprehensive than the approaches recommended by Willis and Gallagher.
- The proposed costs for the three-year period of the contract are as follows: Willis - \$150,000; Aon - \$169,500; Gallagher - \$179,272; PK Financial - \$195,000. Aon proposed additional fees for training initiatives that the others would offer at no cost.

After completing the review process, staff are recommending that the three year contract be awarded to Willis. The individuals on the proposed Willis team have worked on the College account for several years and have demonstrated their ability to fully meet the College's insurance procurement and risk management needs. Willis' three year cost was substantially lower, and the Committee believed their proposed approach to managing the account was most responsive to the College's needs.