



City of Tacoma

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**Date:** November 30, 2017

**To:** Elizabeth Pauli, City Manager

**From:** Gary Buchanan  
Human Resources Director

**Subject:** Authorization of Direct Negotiation for Professional Services and Personal Services over \$25,000  
Federally Mandated Health Compliance Services

For your review and recommendation.

In accordance with TMC 1.06.256 (B), the Human Resources Department requests a waiver of the competitive solicitation process and authorization to directly negotiate with **Automatic Data Processing, Inc (ADP), Boston MA**, for Federally Mandated Health Compliance Services. This will increase the current contract by \$177,408.00, plus applicable sales tax, bringing the contract to a cumulative total of \$377,408.00 over a 5 year period which extends the existing contract to March 31, 2020.

Direct negotiation approval constitutes a waiver of further competitive solicitation for amendments to the subject contract provided that any such amendment(s) shall be signed by personnel as authorized in the Delegation of Procurement Signature and Approval Authority memorandum. Contract totals shall not exceed \$200,000 without City Council or Public Utility Board approval as appropriate.

**EXPLANATION:** To assist the City with required tracking and reporting services mandated by the Affordable Care Act (ACA) legislation (e.g. eligibility and IRS and employee reporting requirements due for the 2017, 2018 and 2019 tax years). The City originally contracted with ADP by direct negotiation in 2016 in the amount of \$115,000.00 for a term ending January 10, 2017. The City renewed this contract with ADP, also by direct negotiation, effective January 11, 2017, increasing the contract by \$85,000 for a total amount of \$200,000.00 for a one year term ending January 10, 2018. Federal reporting for the prior tax year extends into March of the following year. This increase brings the contract to a cumulative total of \$377,408.00 with a contract expiration date of March 31, 2020.

**JUSTIFICATION FOR DIRECT NEGOTIATION:**

1. Explain why it's in the best interest of the city to waive the competitive solicitation process.

Significant work has been done between The City's Human Resources and Information Technology Departments and ADP to meet the complex reporting requirements stipulated annually by the Federal Government. This memo supports extending the contract up to an additional two processing years in order to meet the compliance requirement for distribution of the 2017, 2018 and 2019 1095c tax forms and IRS reporting requirements. Due to the time, effort, and resources invested with the initial contract with ADP, it is in the best interest of the City at this time to waive the competitive solicitation process to continue to meet the Federal reporting requirements and avoid the possibility of related substantial fines. This will also allow the City time to assess whether there will be a future need to continue this required reporting to the IRS based on the current Congress and any modifications to the provisions of



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the ACA. If the current legislation will remain in place, the City can then determine the appropriate next steps to maintain compliance with this Federally required reporting responsibility.

2. Is this purchase based on a previous competitive solicitation conducted by the City or other agency? If yes, provide the contract information, specification number, etc., and explain the relationship of this request to the previous contract.

This is a request for a contract amendment for SAP contract number 4600011499 to extend the contract through March 31, 2020 and increase the value which will close out the federal tax reporting for 2019.

3. Describe the screening efforts made to identify potential service providers.

In late 2015, employers were required to put into place a complex employee medical benefit reporting process by January 31, 2016. SAP was not set up for this process and there was no time or IT resources to make the complex changes required. At the time there were only a limited number of vendors on the market that could handle such a task and ADP was the only one who could guarantee they could meet the January 2016 deadline and prevent us from incurring substantial federal fines for non-compliance.

4. Describe the efforts made to assure that the City is receiving the lowest or best price possible.

ADP has agreed to honor the original 2016 pricing through the end of the contract term of March 31, 2020.

**FUNDING:** Funds for this purchase are available in the 6430 - Health Care Trust Labor Management..

**SBE COMPLIANCE:** The Department/Division has checked the [City of Tacoma Small Business Enterprise \(SBE\) website](#) for opportunities to contract with SBE firms on November 30, 2017. There are no SBE firms registered for this category of work at this time.

**PROJECT COORDINATOR:** Kari Louie, Benefits Manager 253-591-5419.