

# Agenda Report

June 8, 2026

**TO:** Honorable Mayor and City Council

**FROM:** City Manager's Office

**SUBJECT:** **AUTHORIZE THE CITY MANAGER TO ENTER INTO A CONTRACT WITH ACCLAMATION INSURANCE MANAGEMENT SERVICES (AIMS) FOR WORKERS' COMPENSATION THIRD-PARTY CLAIMS ADMINISTRATION SERVICES FOR UP TO FIVE YEARS FOR AN AMOUNT NOT TO EXCEED \$5,507,491**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action in the agenda report is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3), the "Common Sense" Exemption that CEQA only applies to projects that may have an effect on the environment; and
2. Authorize the City Manager to enter into a contract, as the result of the competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, with Acclamation Insurance Management Services (AIMS) for Workers' Compensation Third-Party Claims Administration services in an amount not-to-exceed \$5,507,491 for a period of five years. Competitive price bidding is not required pursuant to City Charter Section 1002(F) contracts for professional or unique services.

## **BACKGROUND:**

The Risk Management Division of the City Manager's Office is responsible for the administration and delivery of benefits under the City's Workers' Compensation program. The mission of the Workers' Compensation Section is to ensure injured employees receive prompt, high quality medical services, wage replacement, and disability benefits in a manner consistent with statutory and contractual requirements.

The Workers' Compensation program is administered through a combination of City staff and the services of a third-party administrator (TPA). This model of service delivery has historically proven to be effective for the City as it has ensured internal control and strategic oversight of the Workers' Compensation Program while leveraging the expertise,

technological capabilities, and scalability provided by a TPA. Under this model, City staff ensure claims are administered in a manner consistent with City policies and labor agreements, monitor claim trends, navigate internal systems to promptly facilitate return to work processes, and ensure the sound performance of the TPA. Conversely, the TPA ensures compliance with statutory and audit requirements and provides advanced claims management systems, reporting, and analytics. This model of service delivery results in faster claims handling, more consistent decision-making, better return to work coordination, and ultimately, a better experience for injured employees.

In June 2021, the City entered into an agreement with Acclamation Insurance Management Services (AIMS) to provide third-party administration of Workers' Compensation benefits for a period of up to five years at an amount not to exceed \$4,368,858. AIMS has served effectively as the City's TPA for Workers' Compensation benefits since that time.

On March 16, 2026, the City Manager's Office released a Request for Proposals seeking a TPA capable of providing comprehensive Workers' Compensation claims management services for all existing and prior-year claims, with an emphasis on cost-effective operations and the delivery of responsive, high-quality service to the City's employees.

Five firms submitted proposals by the deadline. Their locations and evaluation scores are listed below:

<u>Firm Name</u>	<u>Location</u>	<u>Score (Max Score 100)</u>
AIMS	Sacramento, CA	77.21
Innovative Claim Solutions	San Ramon, CA	68.43
Sedgwick	Memphis, TN	65.59
Athens Administrators, Inc	Concord, CA	64.10
Pacific Secured Equities, Inc.	Rocklin, CA	61.92

An evaluation committee consisting of representatives from Public Works, Parks, Recreation and Community Services, Water & Power, the Fire Department, the Police Department, and the City Manager's Office reviewed and scored the proposals based on overall strength, service capabilities, and alignment with the City's program needs. Specifically, the proposals were evaluated based on the following evaluation criteria:

1. System Requirements (20%)
2. Product Demonstration (20%)
3. Proposed Solution (20%)
4. Cost Proposal (30%)
5. Local Pasadena Business (5%)
6. Small or Micro-Business (5%)

AIMS was identified as the preferred provider on the basis of its cost proposal, the quality of its technical proposal, and its demonstrated experience effectively delivering Workers' Compensation third-party administration services to public agencies, including the City of Pasadena.

The first-year cost of the proposed contract reflects an increase of 14.5% over the final year of the existing contract, followed by increases of 3% annually in each of the remaining years of the contract. By way of comparison, the existing contract established in 2021 has increased at an average rate of 1.5% annually. Despite the increase, staff believes AIMS' cost proposal is competitive and generally commensurate to the rate of inflation since the current contract was established, and that a continued relationship with AIMS as the City's TPA for Workers' Compensation is in the best interest of the City.

Based on the forgoing, it is recommended that the City Council authorize the City Manager to enter into a five-year contract with AIMS to continue to serve as the City's TPA for Workers' Compensation benefits.

**ENVIRONMENTAL ANALYSIS:**

The proposed contract is exempt from the CEQA pursuant to State CEQA Guidelines Section 15061 (b) (3), the "Common Sense" provision of CEQA (formerly the general rule), which applies to projects which may have the potential for causing a significant effect on the environment. The proposed action will not result in any new development or physical changes.

**COUNCIL POLICY CONSIDERATION:**

The proposed action advances the City's commitment to employee safety and prudent Risk Management practices and supports the City Council's strategic objectives of maintaining fiscal stability and responsibility.

**FISCAL IMPACT:**

The total cost of the recommended action will not exceed \$5,507,491. Funding for this contract will utilize Fund 506 (Risk Management – Workers’ Compensation Fund). Future contract costs will be budgeted as part of the department’s annual operating budget. There is no impact to the General Fund.

Year 1	\$1,037,361
Year 2	\$1,068,482
Year 3	\$1,100,536
Year 4	\$1,133,553
Year 5	\$1,167,559
<u>Total Contract</u>	<u>\$5,507,491</u>

Respectfully submitted,



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ALEX SOUTO  
Deputy City Manager

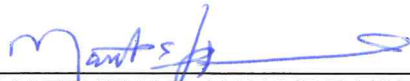
Prepared by:



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Matthew Howard  
Workers’ Compensation Supervisor

Approved by:



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MATTHEW E. HAWKESWORTH  
Interim City Manager