

Executive Summary

Claims Committee Meeting, March 10, 2022
Board of Governors Meeting, March 23, 2022

Sinkhole Stabilization Services

Topic

This Consent Item seeks Board approval to amend the Sinkhole Stabilization Services agreements. This amendment changes the existing compensation schedule to address market conditions that were not contemplated and could not have been anticipated at the time the parties entered into the agreements. The existing compensation schedule provides for pricing adjustments to address market conditions, but it limits such increases to 25% above the original agreement pricing. For the line items below in red, more than a 25% increase is needed to address market price increases. Under the proposed amendment, future market pricing adjustments may not exceed 25% of the line item pricing on the new compensation schedule proposed below. No additional funds are being requested for this Consent Item, as only \$2,356,372.89 (as of January 31, 2022) of the originally approved \$30,000,000 has been spent.

History

The requested amendment relates to competitively procured agreements for Sinkhole Stabilization Services. The agreements have been in effect since January 2019. Citizens issued Request for Proposals, RFP 18-0033, in September 2018. The Evaluation Committee recommended award to four vendors, and the Board approved contracts in December 2018. Three vendors continue to provide services under the agreements. The agreements have a three-year base term and three one-year renewal terms. The first of the three one-year renewal terms was exercised and is set to expire on January 9, 2023.

The agreements relate to Citizens' Sinkhole Stabilization Services program. This program is available to policyholders once it has been determined that they need stabilization services due to structural damages caused by sinkhole loss. The decision to participate in the program rests solely with the policyholder. The program features a network of stabilization vendors performing stabilization services. A participating vendor must provide the customer with performance and payment bonds, as well as a third-party warranty that the customer may not otherwise receive when selecting their own vendor outside of this program. These documents provide protection for the insured during the stabilization process and for a minimum of five (5) years following completion of their work. Below is a snapshot of the number of assignments issued under the program since 2019, as of January 31, 2022.

Total Vendor Assignments	Vendor to Date	2019	2020	2021	2022	Jan-22
New Assignments	49	8	20	21	0	0
Open Assignments	12	6	11	14	12	12
Completed Assignments	20	1	8	11	2	2

Section 8 of the agreements outlines the Compensation Schedule for the vendors performing services, as well as the parameters for pricing adjustments. This section expressly states that the line item prices in the compensation schedule are market based and subject to quarterly review. It also states that such pricing adjustments shall not exceed 25% of the compensation schedule as of the agreement effective date. The Compensation Schedule was first updated upon go-live of services, effective February 25, 2019, to reflect changes specified during the solicitation process.

Executive Summary

Claims Committee Meeting, March 10, 2022
Board of Governors Meeting, March 23, 2022

Due to production delays, labor shortages and overall construction demand in the state, the prices for concrete and steel, which are also utilized for the sinkhole stabilization process, have increased significantly. We became aware of these increases during our review of the third quarter market pricing data provided by Xactware in late 2020. With consideration to the price increases that we continued to see in the fourth quarter 2020 and first quarter 2021 data, we made price adjustments to the compensation schedule effective May 24, 2021.

In late September 2021, one of our contracted vendors conveyed that their concrete and grout costs were going up by \$10-\$14 per cubic yard as of January 1, 2022. In addition, they provided documentation from their steel provider that their foundation repair products would increase by 20-30%. That increase to the vendor's cost was effective immediately per the letter provided by the vendor.

Upon receipt of the Xactware market pricing data for the third and fourth quarter of 2022, we found that our pricing remains lower than the market in most cases with changes warranted for ten of the nineteen items listed in the compensation schedule. Six of those changes hit the 25% threshold, and four of those six need to go above the 25% threshold to be commensurate with industry pricing. For line items in green, the proposed updates are based on market pricing data provided by Xactware and supported by the information from our contracted vendor, as well as one of the noncontracted vendors with regard to the underpinning line items. For the other line items, the updates are primarily based on feedback from contracted and non-contracted sinkhole stabilization vendors performing services for our policyholders. The impact of the proposed pricing increases will vary depending on the requirements of each assignment. However, to provide a representative example of the impact on Citizens' costs, an assignment that may presently cost \$256,746.39 would now cost \$314,708.07.

<u>Line Item</u>	<u>Unit</u>	<u>Notes</u>	<u>Orig. 2018 Contract</u>	<u>Go Live - Eff. 2/25/19</u>	<u>Eff. 5/24/21</u>	<u>Proposed Updates</u>
Chemical Grout - Polyurethane	LB	Price per pound	\$13.28	\$13.40	\$15.00	\$16.60
Chemical Grout - Permeation	GL	Price per gallon	\$116.72	\$118.00	\$118.00	\$118.00
Compaction Grouting	CY	Price per cubic yard	\$181.37	\$183.00	\$196.00	\$210.00
Slurry	CF	Price per cubic foot	\$20.98	\$22.00	\$22.00	\$22.00

Executive Summary

Claims Committee Meeting, March 10, 2022
Board of Governors Meeting, March 23, 2022

Slurry - Shift Charge	EA	1 use per project	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00
Drilling/Casing	LF	Price per linear foot	\$17.90	\$18.00	\$19.00	\$22.38
Permits	EA	1 use per project	N/A	Actual Cost	Actual Cost	Actual Cost
Permit Administration	EA	1 use per project	N/A	\$125.00	\$125.00	\$125.00
Mobilization - Chemical Grout	EA	Includes first 500 lbs. - 1 user per project	\$7,136.92	\$7,200.00	\$7,500.00	\$8,250.00
Mobilization - (Compaction/Slurry Grout)	EA	1 use per project	\$3,000.00	\$3,000.00	\$3,500.00	\$3,500.00
Underpinning - per pin	EA	Price per pin based on 24' pin	\$1,439.53	\$1,476.00	\$1,775.00	\$2,130.00
Underpinning - Additional Length	LF	Price per linear foot	N/A	\$20.00	\$20.00	\$38.64
Mobilization - Underpinning	EA	1 use per project with Underpinning	N/A	\$2,500.00	\$2,500.00	\$2,500.00
Underpinning Concrete Cuts	EA	Price per cut	N/A	\$110.00	\$110.00	\$110.00

Executive Summary

Claims Committee Meeting, March 10, 2022
Board of Governors Meeting, March 23, 2022

Drilled Pins Pre-Drilling	LF	Price per linear foot	N/A	\$14.00	\$14.00	\$14.00
Spreader Beams	LF	Price per beam	N/A	\$25.00	\$25.00	\$30.00
Threaded underpin	EA	Price per pin based on 24' pin	N/A	\$1,620.00	\$1,925.00	\$2,310.00
Threaded underpin - Additional length	LF	Per linear foot above 24'	N/A	\$26.00	\$26.00	\$45.80
Underpinning spacers	EA	Price per spacer	N/A	\$25.00	\$25.00	\$30.00

The requested price changes are highlighted in yellow and red in the “Proposed Updates” column above. The changes in red exceed the 25% percent threshold specified in the contract. Under the requested amendment, the revised pricing will be subject to the existing contractual requirement that limits future price adjustments to 25% of the revised pricing. This will put us in a better position as we move forward through the existing one-year renewal option, as well as the two additional one-year terms should we wish to exercise them.

Recommendation

The recommendation is listed in the attached Consent Item.

Sinkhole Stabilization Services

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval - 12/12/2018

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Sinkhole Stabilization Services, RFP 18-0033
Purpose/Scope	This Consent Item seeks Board approval to amend the Sinkhole Stabilization Services agreements to increase compensation. The changes are requested to address unanticipated market price increases, which exceed 25% of original agreement pricing in certain cases. The existing compensation schedule provides for pricing adjustments to address market conditions, but it limits such increases to 25% above the original agreement pricing. The proposed changes to the compensation schedule are included in detail in the Executive Summary for this Consent Item. Under the proposed amendment, future market pricing adjustments may not exceed 25% of the line-item pricing on the new compensation schedule.
Contract ID	Sinkhole Stabilization Services RFP 18-0033 Vendors: Earth Tech (DE), LLC, LRE Ground Services, Helicon Foundation Repair Systems, Inc.
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No This Consent Item is not requesting additional funds. The requested amendment will not require an increase to previously approved funds.

Sinkhole Stabilization Services

<p>Procurement Method</p>	<p>On September 14, 2018, Citizens issued Request for Proposals (RFP) 18-0033 for Sinkhole Stabilization Services. Responses were received and evaluated by an Evaluation Committee. The Evaluation Committee recommended award to four (4) vendors on November 16, 2018. Currently, there are three (3) remaining vendors contracted to perform services under the agreement. This change would be an amendment to the existing, previously competitively procured, agreement.</p>
<p>Contract Amount</p>	<p>On December 12, 2018, the Board approved an initial contract spend of \$15,000,000 for the three-year base of the agreement and \$15,000,000 for the three one-year renewals, for a total of \$30,000,000. As of January 2022 month-end, the contract balance remaining is \$27,643,627.11.</p>
<p>Contract Terms</p>	<p>The agreements have a three (3) year initial base term, with three (3) optional one (1) year renewal terms. The base term of the agreements expired on January 9, 2022. The first of the three one-year renewal options was exercised, which is set to expire January 9, 2023.</p>
<p>Committee Recommendation</p>	<p>Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize the requested amendment to increase compensation under the Sinkhole Stabilization Services agreements with Earth Tech (DE), LLC, LRE Ground Services, Helicon Foundation Repair Systems, Inc., as set forth in this Sinkhole Stabilization Services Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p>Board Recommendation from Committee</p>	<p>If approved at its March 10, 2022 meeting, the Claims Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize the requested amendment to increase compensation under the Sinkhole Stabilization Services agreements with Earth Tech (DE), LLC, LRE Ground Services, Helicon Foundation Repair Systems, Inc, as set forth in this Sinkhole Stabilization Services Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<p>Contacts</p>	<p>Jay Adams, Chief Claims Officer</p>