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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RACHAEL EUBANKS  
STATE TREASURER

## **DETROIT FINANCIAL REVIEW COMMISSION**

### **SCHOOL DISTRICT RESOLUTION 2020-20**

### **APPROVING THE COMMUNITY DISTRICT'S SEPTEMBER 2020 CONTRACT REQUESTS**

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the "Act"), allows for the creation of the Detroit Financial Review Commission (the "Commission") within the Michigan Department of Treasury; and

WHEREAS, Section 6(1) of the Act empowers the Commission to provide oversight for the Detroit Public Schools Community District (the "Community District") beginning on June 2016; and

WHEREAS, Section 6(6) of the Act provides that during the period of oversight, the Commission review and approve the Community District's applicable contracts, as defined by Section 3(a) of the Act, and that an applicable contract does not take effect unless approved by the Commission; and

WHEREAS, at the Commission meeting on September 28, 2020, the Community District presented applicable contracts, attached as **Exhibit A** to this Resolution, for the Commission's review and approval.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the Community District's September 28, 2020 contract requests, attached as **Exhibit A** to this Resolution but excluding any contracts a majority of Commission members present has agreed to exclude as noted in the minutes, are hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

# Contract Requests

The following contracts are being provided to the Financial Review Commission (“FRC”) for review and approval. Contracts over \$750,000 or a two (2) year period must also be provided to the FRC for review and approval pursuant to section 6(6) of the Michigan Financial Review Commission Act. Please review the individual Action Items provided for more detailed information.

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a new contract, was the original contract competitively bid?	Lowest Bid? If not a New Contract, was the original contract the lowest bid?	DPSCD Approval Date	Comments
1	Human Resources	19-0034-C 16-0311-C 18-0035-C	<b>Contract Amount:</b> \$58,932,741 <b>Contract Period:</b> January 1, 2021 – Dec 31, 2021 <b>Source:</b> General and Grant Funds <b>Purpose:</b> To provide medical, dental and vision benefits to District employees. <b>Contractor:</b> Blue Cross Blue Shield and Blue Care Network, Health Alliance Plan, Delta Dental, Heritage Vision <b>Location:</b> 415 E Jefferson Ave, Detroit, MI 48226 20500 Civic Center Dr, Southfield, MI 48076 2850 W. Grand Blvd. Detroit, MI 48202 27500 Stansbury St, Farmington Hills, MI 48334 One Woodward Ave. Detroit, MI 48226	Renewal	Yes	Yes	Academic Committee 08.24.2020  Finance Committee 08.28.2020  Board 09.15.2020  Anticipated Approval FRC 09.28.2020	<p>In April 2020, a Request for Proposal was released to medical and pharmacy benefit plan vendors. Priority Health responded with competitively priced plan structured similar to BCBSM, BCN and HAP. Adding Priority Health into the carrier mix would have resulted in BCBSM, BCN and HAP not guaranteeing renewal rates. The decision was made to continue with a contract for Blue Cross Blue Shield (BCBS) and Blue Care Network (BCN) and Health Alliance Plan (HAP) due to (i) continuity of service; (ii) lowest market pricing while maintaining a significant network of physicians (HAP as a coexisting provider); and (iii) flexibility in providing alternative plans that meet the specific needs of the District.</p> <p>In April 2020, a Request for Proposal was release to Dental Plan vendors. RFP results confirmed that the District’s existing dental plans are competitively priced. Benchmarking data further confirmed that the District’s dental plans are as good or better than the benchmark. Although BCBS was the only carrier showing savings, they were unable to duplicate existing plans. Dental benefits will remain with Delta Dental.</p> <p>In April 2020, a Request for Proposal was release to Vision Plan vendors. RFP results confirmed that existing District vision plans are priced competitively. While benchmarking data for vision plans was limited, the data shows that the District’s vision plan is as good or better than the benchmark. Vision Service Plan (VSP) was the only carrier offering savings, however District employees would experience provider disruption if the District were to move away from Heritage Vision Plan.</p> <p>\$58,932,741 reflects the total projected spend across all benefit categories for this term, subject to enrollment. The anticipated employee contribution of \$16,050,659 will offset this total bringing expected District costs to \$42,882,082. For Dental and Vision, buy up options will be added to each so employees can elect to add additional coverages and locations.</p>

# Contract Requests

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	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a new contract, was the original contract competitively bid?	Lowest Bid? If not a New Contract, was the original contract the lowest bid?	DPSCD Approval Date	Comments
2	Operations	21-0039-C	<b>Contract Amount:</b> \$2,084,187 <b>Contract Period:</b> July 27, 2020 – June 30, 2021 <b>Source:</b> General and Capital Funds <b>Purpose:</b> Roof replacements and repairs <b>Contractors:</b> Lutz Roofing <b>Locations:</b> Shelby Twp, MI 48317	Increase	Yes	No	Academic Committee 08.24.2020  Finance Committee 08.28.2020  Board 09.15.2020  Anticipated Approval FRC 09.28.2020	<p>Lutz Roofing was awarded contracts along with three other roofing companies for responses to RFP 19-0234, posted in April 2020. Lutz was awarded a contract for \$1,469,700.</p> <p>In July 2020, RFP 21-0047 was issued for replacement of roofs at Barton, Poe, Edmonson, and for repair services District-wide. Of the five responses received, Lutz was one of the two vendors awarded. Lutz confirmed the schedule to meet the District’s timeline for Barton as well as the additional capacity to assist with various repairs District-wide. The two lower cost vendors, having already been awarded work by the District, were not able to communicate the ability to quickly add capacity. This request is to increase the contract with Lutz by \$614,487 for a total not to exceed \$2,084,187.</p>

# Contract Requests

The following contracts are being provided to the Financial Review Commission (“FRC”) for review and approval. Contracts over \$750,000 or a two (2) year period must also be provided to the FRC for review and approval pursuant to section 6(6) of the Michigan Financial Review Commission Act. Please review the individual Action Items provided for more detailed information.

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a new contract, was the original contract competitively bid?	Lowest Bid? If not a New Contract, was the original contract the lowest bid?	DPSCD Approval Date	Comments
3	Operations	18-0036-C	<b>Contract Amount:</b> \$814,764 <b>Contract Period:</b> July 1, 2020 – June 30, 2021 <b>Source:</b> General and Capital Funds <b>Purpose:</b> Warehouse Management, Warehousing & Distribution Services <b>Contractor:</b> Progressive Distribution Centers <b>Locations:</b> Melvindale, MI 48122	Increase	Yes	Yes	Academic Committee 08.24.2020  Finance Committee 08.28.2020  Board 09.15.2020  Anticipated Approval FRC 09.28.2020	<p>RFP #18-0078 was issued on DemandStar on April 13, 2018 and received one response. Based on evaluation of the proposal, Progressive Distribution Systems was awarded a renewal for \$249,000 based on their previous experience and customer satisfaction.</p> <p>Due to the current COVID-19 pandemic and to support its reopening plan, the District requires additional warehousing support for storage and distribution of personal protective equipment. Progressive Distribution Systems will receive, count, store, and distribute PPE as directed by the District.</p> <p>This request will increase the contract value for Progressive Distribution Systems for an additional \$565,764 for a total value NTE \$814,764.</p>

**Agenda Item Details**

Meeting	Sep 15, 2020 - *Virtual*Regular Board Meeting
Category	13. Consent Agenda (Administrative Items)
Subject	13.02 Approval of Contracts with Blue Care Network, Blue Cross Blue Shield, and Health Alliance Plan
Access	Public
Type	Action
Recommended Action	Motion to approve the District's fully-insured medical and pharmacy benefit plans with Blue Care Network, Blue Cross Blue Shield and Health Alliance Plan for the period of January 1, 2021 through December 31, 2021 in an amount not-to-exceed \$39,779,356.

**Public Content****Recommendation:**

That the School Board approve the District's fully-insured medical and pharmacy benefit plans with (i) Blue Care Network (BCN), (ii) Blue Cross Blue Shield (BCBS), and (iii) Health Alliance Plan (HAP) for the period of January 1, 2021 through December 31, 2021 at an amount not-to-exceed \$39,779,356 (subject to actual enrollment).

**Description and Background:**

This item was recommended for approval by the Academic Committee on August 24, 2020 and the Finance Committee on August 28, 2020.

In January 2018 the District issued a Request for Proposals (RFP) for a benefits consultant to serve as a broker and consultant for the District's medical and pharmacy benefit plans. The District selected Kapnick Insurance Group (Kapnick) to serve as its broker and consultant. As the District's broker and consultant in January 2020, Kapnick received renewal estimates from current health and prescription benefit vendors with a resulting annual increase in contract year 2021 estimated between 17.37% (\$10,115,452) to 21.58% (\$12,572,043).

Given the untenable level of projected medical and pharmacy benefit cost increases, the District worked diligently in partnership with Kapnick, to negotiate cost efficiencies through an outcome-based RFP process which focused on cost containment, maintaining medical and pharmacy benefit choice options, limiting disruption, and optimizing plan design. The District leveraged the RFP process to encourage the District's existing medical and pharmacy benefit providers, as well as other RFP respondents, to demonstrate their ability to achieve cost savings on behalf of the District.

With Kapnick's assistance, the District, in full cooperation and transparency with The Coalition developed the RFP for 2021 benefit plans. On February 5, 2020, a Pre-RFP meeting was held with Kapnick and The Coalition of Unions (The Coalition) to discuss final terms of the RFP including carrier markets and timelines.

On April 2, 2020, the RFP was released to medical and pharmacy benefit plan vendors. Current and prospective carriers were provided detailed information on RFP outcomes the District sought to achieve through the RFP process, as well as health benefit plan designs and specifications by line of coverage. Table 1.0 delineates lines of coverage, carriers invited to quote, as well as the number of plans reviewed. The carriers referenced in Table 1.0 were directed to provide proposals including: (a) equivalent or improved plan designs at lower cost(s); (b) funding alternatives (fully insured and self-insured); (c) multi-year rate guarantees, renewal rate caps and performance/service guarantees, and (d) all other features, services, or terms favorable to the District. Medical and prescription drug carriers that declined to quote cited an inability to match existing plan designs and or competitive rates for not responding to the released RFP.

**Table 1.0: Request for Proposal Summary from Health, Dental, and Vision Benefit Vendors**

Lines of Coverage	Number of Carriers Invited to Quote	Number of Carriers Issuing Quotes	Number of Plans Reviewed
Medical/Rx	10	7	36
<b>Total</b>	<b>10</b>	<b>7</b>	<b>36</b>

RFP Results Summary – Medical and Pharmacy Benefits

Key considerations of the medical and pharmacy benefit RFP included the District's interest in remaining fully insured due to budget constraints, volatility of aging population, risk aversion and a limited number of medical carriers in the Michigan marketplace. Benchmarking data determined that the District's Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) plan designs were competitively priced, as good or better than the benchmark. The RFP was released to nine (9) medical insurance providers including three (3) incumbents, Aetna, United HealthCare, Cigna, Priority Health, Total Health Care and the Michigan Education Special Services Association (MESSA).

Priority Health was the only newly introduced carrier that was competitively priced with plan structures similar to BCBSM, BCN and HAP. Although Priority Health expressed a willingness to coexist with BCBSM, BCN, and HAP, adding Priority Health into the carrier mix would have resulted in BCBSM, BCN and HAP not guaranteeing renewal rates. The potential of increased costs made adding Priority Health into the carrier mix less attractive to the District and Coalition.

The initial renewal offers from BCBSM, BCN and HAP initially resulted in a 9.8% (\$5,257,490) increase to current medical and pharmacy benefit plans. At the Direction of the District, Kapnick negotiated revised renewal pricing from incumbent carriers based on competition and market leverage resulting in an overall increase to the current medical plans of 3.1% (\$1,653,647), yielding a \$3,603,843 in savings over the initial renewal offer with no disruption to District employees and their dependents.

#### Negotiated Contract Year 2021 Medical and Pharmacy Benefit Plans

At the direction of the District, Kapnick presented the responses to The Coalition on June 18, 2020, and proposed the plan offerings for the 2021 contract year which follow.

#### Medical and Prescription Drug – Fully Insured

- a. Current BCN Core Plan;
- b. Current BCN Core Plus Plan;
- c. Current BCN Premium Plan;
- d. Current BCN Economy Plan;
- e. Current BCBS PPO Plan, and
- f. Current HAP HMO Plan

It was therefore determined that it was in the best interest of the District's 7,367 employees to:

- a. Continue the relationship with BCN as a co-existing medical provider due to (i) continuity of service; (ii) lowest market pricing while still maintaining a significant network of physicians; and (iii) flexibility in providing alternative plans that meet the specific needs of the District;
- b. Continue the relationship with BCBS as a co-existing medical provider due to (i) BCBS's relationship with BCN; (ii) an expanded national network; (iii) willingness to co-exist and (iv) employee request for the PPO plan;
- c. Continue the relationship with HAP as a co-existing medical provider due to (i) historical relationship with the District; (ii) willingness to co-exist with other carriers; (iii) competitive pricing and plan design; (iv) a broad network of doctors that increases access to medical services and limits disruption and (v) employee request for a HAP plan;

The process utilized in determining the 2021 medical and pharmacy benefit plan options considered the aforementioned and addressed employee and Coalition requests for maintaining choice and inclusion in the selection process. The Office of Labor Relations, Benefits and Employee Health Services administers these benefits. Open enrollment for the 2021 contract year is scheduled to commence no later than November 2020 and only employees who wish to maintain their Flexible Spending Account participation or make a change to their benefits will need to participate in open enrollment activities.

#### Additional Considerations

##### Funding

The RFP request also included the exploration of funding alternatives to determine whether the District should consider self-funding medical and pharmacy benefit plans for contract year 2021.

The most significant disadvantage of self-funding is that claim costs for District members are not guaranteed. The District would be responsible for actual claims costs of its members in addition to plan expenses. While the District could purchase medical stop-loss insurance to cap its exposure for large claims and greater than anticipated claims in aggregate, the analysis indicated that the projected self-funded plan costs would likely exceed what the District would be paying in fully insured premiums in 2021. Given that fully insured premiums are guaranteed, the District determined that remaining fully insured for medical and pharmacy benefit coverage would be more advantageous due to additional risks associated with self-funding.

An additional funding alternative considered by the District for contract year 2021 was a two-tier contribution structure where new hires would pay higher contributions for medical benefits. The potential goal of this strategy was to either reduce costs for current employees or the District. Costs were modeled assuming 300 annual new hires and lower District subsidies (50% or 75% of the amount paid for current employees) for new hires. While this dramatically increased the cost of medical benefits for new hires, an approximate 300 new hires represent only 6.29% of employee population enrolled for medical benefits; the savings yielded from this strategy were insufficient to generate meaningful savings for the remaining 4,470 current employees. This strategy was therefore ruled out for contract year 2021 because it made limited financial sense and may be contrary to the District's goal of recruiting and retaining new employees. Such a strategy would also complicate employee communications and management of employee data for administrative purposes.

### Benchmarking

Through Kapnick's assistance, the District participated in a benchmarking study administered by Milliman. The Milliman 2020 Comprehensive Assessment of Health Plans Report is a standardized report which benchmarks medical and dental plan designs, rating, employee contribution strategies, funding and risk management.

Selected benchmarks included, National: 20,382 employers represented (all industries, locations, and employer types); Educational Services: 338 employers represented (all locations and employer types); Elementary and Secondary Schools: 33 employers represented (all locations).

### Median Medical Results

#### 1. PPO Medical Plans (One Plan):

- a. The District's PPO plan design was deemed competitive, as good or better than benchmarks, across the board except for out-of-pocket maximums and the generic prescription drug copay (higher by \$5), and
- b. The District's subsidy was deemed lower than benchmarks, but the plan is much richer. If benefits were reduced to match the benchmarks, the District subsidy would cover a greater share of the premium.

#### 2. HMO Medical Plans (Five Plans):

- a. The District's HMO plan designs are competitive, as good or better than benchmarks in most cases, and
- b. The District's subsidy is at or above the benchmarks for most of the plans offered.

### Public Act 152 Considerations

An analysis of the hard cap contribution limits for medical plans was completed. The analysis compared the existing 80/20 limits on the District contributions against the 2021 hard cap limits. The 2021 hard cap limits increased 3.3% over 2020 limits. Based on the current medical participation counts, if the District were to utilize the 2021 hard cap limits, the District's costs would increase by 34% and the employee costs would decrease by 66%.

### COVID-19 Impact

There is no immediate impact from COVID-19 on the rates for the 2021 plan year due to the timing of incurred claims and when the 2021 renewal rates were released. It is anticipated that the District will experience a greater impact in renewal rates for contract year 2022 and possibly beyond depending on the extent of the pandemic. The uncertainty related to the impact of COVID-19 on medical expenses supports the decision to remain fully insured to limit risks and disruption to the District.

### Gap Analysis:

The District has historically provided medical and prescription coverage as a part of the employee benefits package. Any change to these offerings would create significant, unexpected costs and disruption of services for employees. Through the healthcare insurance RFP process the District confronted the reality that its employee workforce is rapidly aging at a time when healthcare costs and demands are increasing. The shift toward an aging District workforce has significant implications, especially in the cost of medical and prescription benefits. Through this RFP process the District explored healthcare plan designs and adjustments to decrease healthcare costs. As healthcare costs continue to soar, the District has increasingly assumed a greater share of the financial risks. Through the implemented RFP process the District aimed to attain the optimum balance of maintaining high-quality care, limiting care disruption, and cost containment—the building blocks of success for a healthcare benefits RFP process.

### Previous Outcomes:



The following represents the projections for calendar year 2020:

- a. Medical/Prescription Drug (Employee + District) = \$53,470,517 (11.49% increase from prior year which also includes an increase in enrollment of 328); and
- b. Table 2.0, 2.1, and 2.3 represent total actual costs for contract years 2018 and 2019 as well as projected benefit costs for contract year 2020 (Employee and District).

**Tables 2.0, 2.1, and 2.2: Three-Year Medical and Pharmacy Benefits Actual Costs**

<b>TABLE 2.0: ACTUAL TOTAL DISTRICT CONTRIBUTION</b>		
<b>2018</b>	<b>2019</b>	<b>2020*</b>
<b>\$32,262,094</b>	<b>\$36,677,755</b>	<b>\$40,580,164</b>

<b>TABLE 2.1: ACTUAL TOTAL EMPLOYEE CONTRIBUTIONS</b>		
<b>2018</b>	<b>2019</b>	<b>2020*</b>
<b>\$11,883,839</b>	<b>\$11,539,037</b>	<b>\$12,890,355</b>

<b>TABLE 2.2: ACTUAL TOTAL SPEND (DISTRICT + EMPLOYEE CONTRIBUTIONS)</b>		
<b>2018</b>	<b>2019</b>	<b>2020*</b>
<b>\$44,145,934</b>	<b>\$48,216,792</b>	<b>\$53,470,518</b>

\* 2020 actual costs are based on annualized data taken from an April 2020 census

#### **Financial Impact:**

- a. For the 2021 contract year the total medical and prescription benefits overall spend is projected at \$55,124,163 which represents a 3.09% (\$1,653,646) increase in total projected spend over 2020 projected cost, yielding a total District projected final contribution of 1.97% (-\$800,806) less than 2020 projected benefit spend;
- b. 3,783 employees are enrolled in the BCN HMO plan which equates to 53.95% of the overall employee population, or 74% of health benefit plan enrollees. Based on claims experience and projected plan expenses anticipated for 2021, BCN initially applied a 13% increase in BCN HMO plan rates for 2021. A reduced 4.8% rate was ultimately negotiated for 2021;
- c. 235 employees are enrolled in the BCBS PPO plan which equates to 3.36% of the overall employee population, or 5% of health benefit plan enrollees. Based on the risks of the BCBS PPO population, claims experience and projected plan expenses, BCBS initially applied a 10.2% increase in PPO plan rates for 2021. A reduced 2.2% rate increase was ultimately negotiated for 2021;
- d. 1,080 employees are enrolled in the HAP HMO plan which equates to 15.44% of the overall employee population, or 21% of health benefit plan enrollees. Because the HAP HMO plan was implemented effective January 1, 2019, actual claims data for a 2021 rate projection is limited. As the limited claims data has been somewhat favorable, a 4.0% decrease in rates was ultimately negotiated;
- e. Employee contributions were restructured to reduce the District subsidy of the Core Plan from 79.5% of the BCN Core to 74.89% of the BCN Core Plan and maintaining the current HAP employee contributions. This resulted in an \$800,806 savings to the District and an overall District subsidy of 72.16% of the total medical premium;
- f. For the 2021 contract year, 675 employees are projected to decline medical benefit coverage (i.e., "Opt-out"). Each "Opt-out" election saves the District an approximate \$7,803 per employee (projected annual yield of \$5,267,025); and
- g. Table 3.0 represents total projected benefit costs (Employee and District) for contract year 2021.

**Table 3.0: Total 2021 Projected Benefit Costs**

<b>INSURANCE CARRIER(S)</b>	<b>COVERAGE TYPE(S)</b>	<b>PROJECTED DISTRICT TOTAL CONTRIBUTION*</b>	<b>PROJECTED EMPLOYEE CONTRIBUTION **</b>	<b>TOTAL PROJECTED SPEND</b>
Blue Care Network	Medical/Pharmacy	\$39,779,356	\$15,344,807	\$55,124,163
Blue Cross Blue Shield	Medical/Pharmacy			
Health Alliance Plan	Medical/Pharmacy			
<b>Total Projected Spend</b>		<b>\$39,779,356</b>	<b>\$15,344,807</b>	<b>\$55,124,163</b>
* Projected employer spend will vary based on actual plan and coverage level selected				
** Projected employee spend will vary depending upon plan and coverage level selected				

**Alignment to Strategic Plan:**

Exceptional Talent

**Financial Impact:**

Projected District total contribution of \$39,779,356 General and Grant Funds (Dependent on Actual Employee Enrollment).

**Contact for Item:**

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**Supporting Documents/Attachments:** Medical and Prescription Contracts**Administrative Content**

DPSCD 2021 BCBS-MI Renewal Rate Sheet.pdf (154 KB)

DPSCD - 2021 HAP Renewal Rate Sheet.pdf (140 KB)

**Agenda Item Details**

Meeting	Sep 15, 2020 - *Virtual*Regular Board Meeting
Category	13. Consent Agenda (Administrative Items)
Subject	13.03 Approval of Contract Renewal with Delta Dental
Access	Public
Type	Action
Recommended Action	Motion to approve a renewal of the District's Delta Dental plans for the period from January 1, 2021 through December 31, 2022 in an amount not-to-exceed \$2,771,165.

**Public Content****Recommendation:**

That the School Board approve a contract renewal with Delta Dental for the period of January 1, 2021 through December 31, 2022 at an amount not-to-exceed \$2,771,165 (subject to actual enrollment).

**Description and Background:**

This item was recommended for approval by the Academic Committee on August 24, 2020 and the Finance Committee on August 28, 2020.

In January 2018 the District issued a Request for Proposals (RFP) for a Benefits Consultant to serve as a broker and consultant for the District's benefit plans. The District selected Kapnick Insurance Group (Kapnick) to serve as its broker and consultant.

Given the untenable level of projected health benefit cost increases, the District worked diligently in partnership with Kapnick, to negotiate cost efficiencies through an outcome-based RFP process which focused on cost containment, maintaining dental plan choice options, limiting disruption, and maximizing dental benefits plan design. The District leveraged the RFP process to encourage current dental benefit vendors, as well as other RFP respondents, to prove their ability to achieve dental benefit insurance cost savings.

With Kapnick's assistance, the District, in full cooperation and transparency with The Coalition developed the RFP for 2021 benefit plans. On February 5, 2020, a Pre-RFP meeting was held with Kapnick and The Coalition of Unions (The Coalition) to discuss final terms of the RFP including carrier markets and timelines.

On April 2, 2020, RFPs were released to dental plan vendors. Current and prospective carriers were provided detailed information on RFP outcomes the District sought to achieve through the RFP process, as well as dental benefit plan designs and specifications by line of coverage. Table 1.0 delineates lines of coverage, carriers invited to quote, as well as the number of plans reviewed. The carriers referenced in Table 1.0 were directed to provide proposals including: (a) equivalent or improved plan designs at lower cost(s); (b) funding alternatives (fully insured and self-insured); (c) multi-year rate guarantees, renewal rate caps and performance/service guarantees, and (d) all other features, services, or terms favorable to the District. Dental carriers that declined to quote cited an inability to match existing plan designs and or competitive rates for not responding to the released RFP.

**Table 1.0: Request for Proposal Summary from Health, Dental, and Vision Benefit Vendors**

Lines of Coverage	Number of Carriers Invited to Quote	Number of Carriers Issuing Quotes	Number of Plans Reviewed
Dental	13	7	21
<b>Total</b>	<b>13</b>	<b>7</b>	<b>21</b>

## RFP Results Summary – Dental

Key considerations of the dental RFP included carrier's ability to match the existing benefits, funding levels, Delta Dental's extensive network. The RFP was released to thirteen dental insurance providers including the incumbent.

RFP results confirmed that the District's existing dental plans are competitively priced. Benchmarking data further confirmed that the District's dental plans are as good or better than the benchmark. Although BCBS was the only carrier showing savings, they were unable to duplicate existing plans. Furthermore, provider disruption was anticipated. The initial renewal offer from Delta Dental would have resulted in a 0.8% (\$28,504) increase to the current dental plans. At the direction of the District, Kapnick renegotiated revised renewal pricing from Delta Dental based on competition and market leverage resulting in a 3.6% (-\$123,516) decrease to current dental plans and \$152,020 in savings over the initial renewal offer with no disruption to District employees and their dependents.

#### Negotiated Contract Year 2021 Plans

At the direction of the District, Kapnick presented the responses to The Coalition on June 18, 2020, and proposed the plan offerings for the 2021 contract year which follow.

#### Dental – Fully Insured

- a. Current Delta Dental Exclusive Provider Organization (EPO) Plan;
- b. Current Delta Dental PPO Core Plan, and
- c. Current Delta Dental PPO Core Plus Plan.

It was therefore determined that it was in the best interest of the District's 7,367 employees to Continue the relationship with Delta Dental as the sole dental provider due to (i) historical relationship with the District; (ii) competitive pricing and plan design offerings; (iii) a broad network of dentists.

The process utilized in determining the 2021 benefit plan options considered the aforementioned and addressed employee and Coalition requests for maintaining choice and inclusion in the selection process. The Office of Labor Relations, Benefits and Employee Health Services administers these benefits. Open enrollment for the 2021 contract year is scheduled to commence no later than November 2020 and only employees who wish to maintain their Flexible Spending Account participation or make a change to their benefits will need to participate in open enrollment activities.

#### Additional Considerations

##### Funding

The RFP request also included the exploration of funding alternatives to determine whether the District should consider self-funding Dental Health Plan benefits for contract 2021.

The most significant disadvantage of self-funding is that claim costs for District members are not guaranteed. The District would be responsible for actual claims costs of its members in addition to plan expenses. While the District could purchase medical stop-loss insurance to cap its exposure for large claims and greater than anticipated claims in aggregate, the analysis indicated that the projected self-funded plan costs would likely exceed what the District would be paying in fully insured premiums in 2021.

In addition, based on the analysis of historical dental claims and the fully insured guarantees, the District determined that it would be most advantageous to the District and its employees to move the dental PPO plans to fully insured.

##### Benchmarking

Through Kapnick's assistance, the District participated in a benchmarking study administered by Milliman. The Milliman 2020 Comprehensive Assessment of Health Plans Report is a standardized report which benchmarks dental plan designs, rating, employee contribution strategies, funding and risk management.

Selected benchmarks included, National: 20,382 employers represented (all industries, locations, and employer types); Educational Services: 338 employers represented (all locations and employer types); Elementary and Secondary Schools: 33 employers represented (all locations).

#### Median Dental Results

##### PPO Dental Plans (Two Plans)

- a. The District's PPO plan designs are as good or better than benchmarks across the board, and
- b. Premiums and employee contributions are lower than benchmark while employer subsidies are better than the benchmarks across the board.

##### EPO (DHMO) Dental Plan (One Plan)

- a. The plan designs are better than benchmark plans;

- b. Premiums are higher than the benchmarks and in some cases employee contributions are higher. This is due to the richness of plan designs, and
- c. Employer subsidies are higher than benchmarks for most levels.

#### Gap Analysis:

The District has historically provided dental coverage as a part of the employee benefits package. Any change to these offerings would create significant, unexpected costs and disruption of services for employees. Through the RFP process the District confronted the reality that its employee workforce is aging at a time when dental costs and demands are increasing. The shift toward an aging District workforce has significant implications, especially in the cost of dental benefits. Through this RFP process the District explored dental plan designs and adjustments to decrease costs. As costs continue to increase, the District has increasingly assumed a greater share of the financial risks. Through the implemented RFP process the District aimed to attain the optimum balance of maintaining high-quality care, limiting care disruption, and cost containment.

#### Previous Outcomes:

The following represents the projections for calendar year 2020:

- a. Dental (Employee + District) = \$3,467,715 (7.36% increase from prior year which also includes an increase in enrollment of 293).
- b. Table 2.0 represents total actual costs for contract years 2018 and 2019 as well as projected benefit costs for contract year 2020 (Employee and District).

Table 2.0: Three Year Benefit Actual Costs										
INSURANCE CARRIER(S)	COVERAGE TYPE(S)	ACTUAL DISTRICT TOTAL CONTRIBUTION			ACTUAL EMPLOYEE CONTRIBUTION			ACTUAL TOTAL SPEND		
		2018	2019	2020*	2018	2019	2020*	2018	2019	2020*
Delta Dental of Michigan	Dental	\$2,553,158	\$2,703,939	\$2,771,166	\$612,924	\$548,347	\$696,550	\$3,166,082	\$3,252,287	\$3,467,716
Total Actual Spend		\$2,553,158	\$2,703,939	\$2,771,166	\$612,924	\$548,347	\$696,550	\$3,166,082	\$3,252,287	\$3,467,716
* 2020 actual costs are based on annualized data taken from an April 2020 census										

#### Financial Impact:

- a. For the 2021 contract year the total dental benefits overall spend is projected at \$3,344,198 which represents a 3.56% (-\$123,517) decrease in total projected spend over 2020 projected cost, yielding a total District projected final contribution equal to the 2020 projected benefit spend (\$2,771,165);
- b. The Delta Dental EPO plan is fully insured with 1,358 employees selecting this plan. Delta Dental initially proposed a 7.9% decrease in the EPO rates for 2021. An overall decrease of 12.5% guarantee and an increase of the dependent child age limit to twenty-six was ultimately negotiated was ultimately negotiated;
- c. The two Delta Dental PPO plans are self-funded with a combined 4,069 employees selecting these plans. While administration expenses are not changing for 2021, PPO claims experience justifies a 3.6% to 4.0% increase in illustrative rates for the two plans. A transition to fully insured plan guarantee and an increase of the dependent child age limit to twenty-six was negotiated which minimizes the District's risk exposure and results in an estimated savings of 1.0%. The fully insured dental rates are guaranteed for two years.

Table 3.0 represents total projected benefit costs (Employee and District) for contract year 2021.

Table 3.0: Total 2021 Projected Benefit Costs				
INSURANCE CARRIER(S)	COVERAGE TYPE(S)	PROJECTED DISTRICT TOTAL CONTRIBUTION*	PROJECTED EMPLOYEE CONTRIBUTION **	TOTAL PROJECTED SPEND
Delta Dental of Michigan	Dental	\$2,771,165	\$573,033	\$3,344,198
Total Projected Spend		\$2,771,165	\$573,033	\$3,344,198
* Projected employer spend will vary based on actual plan and coverage level selected				
** Projected employee spend will vary depending upon plan and coverage level selected				

#### Alignment to Strategic Plan:

Exceptional Talent

**Financial Impact:**

Projected District total contribution of \$2,771,165 General and Grant Funds (Dependent on Actual Employee Enrollment).

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**Supporting Documents/Attachments:** Dental Benefit Provider Contracts

DPSCD - 2021Contract PPO Core, et al Fully Insured.pdf (307 KB)

DPSCD - 2021Contract PPO Core, et al Fully Insured.pdf (307 KB)

DPSCD - 2021Contract PPO Core+, et al Fully Insured.pdf (308 KB)

**Administrative Content**

**Agenda Item Details**

Meeting	Sep 15, 2020 - *Virtual*Regular Board Meeting
Category	13. Consent Agenda (Administrative Items)
Subject	13.04 Approval of Contract Renewal with Heritage Vision
Access	Public
Type	Action
Recommended Action	That the School Board approve a renewal of the District's fully-insured Heritage Vision plans for the period from January 1, 2021 through December 31, 2024 for an amount not-to-exceed \$331,561.

**Public Content****Recommendation:**

That the School Board approve a renewal of the District's fully-insured Heritage Vision plans for the period of January 1, 2021 through December 31, 2024 for an amount not-to-exceed \$331,561 (subject to actual enrollment).

**Description and Background:**

This item was recommended for approval by the Academic Committee on August 24, 2020 and the Finance Committee on August 28, 2020.

In January 2018 the District issued a Request for Proposals (RFP) for a Benefits Consultant to serve as a broker and consultant for the District's benefit plans. The District selected Kapnick Insurance Group (Kapnick) to serve as its broker and consultant. The District worked diligently in partnership with Kapnick, to negotiate cost efficiencies through an outcome-based RFP process which focused on cost containment, maintaining vision plan choice options, limiting disruption, and maximizing vision benefits plan design. The District leveraged the RFP process to encourage current vision benefit vendors, as well as other RFP respondents, to prove their ability to achieve vision benefit insurance cost savings.

With Kapnick's assistance, the District, in full cooperation and transparency with The Coalition developed the RFP for 2021 vision benefit plans. On February 5, 2020, a Pre-RFP meeting was held with Kapnick and The Coalition of Unions (The Coalition) to discuss final terms of the RFP including carrier markets and timelines.

On April 2, 2020, RFPs were released to vision plan vendors. Current and prospective carriers were provided detailed information on RFP outcomes the District sought to achieve through the RFP process, as well as vision benefit plan designs and specifications by line of coverage. Table 1.0 delineates lines of coverage, carriers invited to quote, as well as the number of plans reviewed. The carriers referenced in Table 1.0 were directed to provide proposals including: (a) equivalent or improved plan designs at lower cost(s); (b) funding alternatives (fully insured and self-insured); (c) multi-year rate guarantees, renewal rate caps and performance/service guarantees, and (d) all other features, services, or terms favorable to the District. Vision carriers that declined to quote cited an inability to match existing plan designs and or competitive rates for not responding to the released RFP.

**Table 1.0: Request for Proposal Summary from Health, Dental, and Vision Benefit Vendors**

Lines of Coverage	Number of Carriers Invited to Quote	Number of Carriers Issuing Quotes	Number of Plans Reviewed
Vision	14	8	23
<b>Total</b>	<b>37</b>	<b>15</b>	<b>80</b>

## RFP Results Summary – Vision

Key considerations of the vision RFP included the carrier's ability to maintain or improve current benefit levels and to maximize the choice of providers. The RFP was released to fourteen (14) vision insurance providers including the incumbent.

RFP results confirmed that existing District vision plans are priced competitively. While benchmarking data for vision plans was limited, the data shows that the District's vision plan is as good or better than the benchmark. Vision Service Plan (VSP) was the only carrier showing savings. Although savings were evident, District employees would experience provider disruption if the District were to move away from Heritage Vision Plan.

The initial renewal offer from Heritage Vision would have resulted in a 1.1% (-\$5,077) decrease to the current vision plans. At the direction of the District, Kapnick negotiated revised renewal pricing from Heritage based on competition and market leverage resulting in a 3.3% (-\$15,984) decrease to the current vision plans and \$10,907 in savings over the initial renewal offer with no disruption to District employees and dependents.

#### Negotiated Contract Year 2021 Plans

At the direction of the District, Kapnick presented the responses to The Coalition on June 18, 2020, and proposed the plan offerings for the 2021 contract year which follow.

#### Vision – Fully Insured

- a. Current Heritage Vision Core Plan (12/24/24 benefit frequency) with the Select Network;
- b. Current Heritage Vision Core Plus Plan (12/12/12 benefit frequency) buy up plan with the Select Network access, and
- c. Current Heritage Vision Premium Plan (12/12/12 benefit frequency) buy up plan with the National Network access.

It was therefore determined that it was in the best interest of the District's 7,367 employees to Continue the relationship with Heritage Vision Plan as the sole vision provider due to (i) historical relationship with the District; (ii) competitive pricing and plan design offerings; (iii) a broad network of vision providers.

The process utilized in determining the 2021 benefit plan options considered the aforementioned and addressed employee and Coalition requests for maintaining choice and inclusion in the selection process. The Office of Labor Relations, Benefits and Employee Health Services administers these benefits. Open enrollment for the 2021 contract year is scheduled to commence no later than November 2020 and only employees who wish to maintain their Flexible Spending Account participation or make a change to their benefits will need to participate in open enrollment activities.

#### Gap Analysis:

The District has historically vision coverage as a part of the employee benefits package. Any change to these offerings would create significant, unexpected costs and disruption of services for employees. Through the vision insurance RFP process the District confronted the reality that its employee workforce is rapidly aging at a time when vision costs and demands are increasing. The shift toward an aging District workforce has significant implications, especially in the cost of vision benefits. Through this RFP process the District explored vision plan designs and adjustments to decrease vision costs. As vision costs continue to soar, the District has increasingly assumed a greater share of the financial risks. Through the implemented RFP process the District aimed to attain the optimum balance of maintaining high-quality care, limiting care disruption, and cost containment—the building blocks of success for a vision benefits RFP process.

#### Previous Outcomes:

The following represents the projections for calendar year 2020

- a. Vision (Employee + District) = \$480,363 (7% increase from prior year which also includes an increase in enrollment of 341).

Table 2.0 represents total actual costs for contract years 2018 and 2019 as well as projected benefit costs for contract year 2020 (Employee and District).

Table 2.0: Three Year Benefit Actual Costs										
INSURANCE CARRIER(S)	COVERAGE TYPE(S)	ACTUAL DISTRICT TOTAL CONTRIBUTION			ACTUAL TOTAL EMPLOYEE CONTRIBUTION			COMBINED TOTAL SPEND		
		2018	2019	2020*	2018	2019	2020*	2018	2019	2020*
Heritage Vision Plans**	Vision	\$294,889	\$325,615	\$345,431	\$0.00	\$115,115	\$134,932	\$294,889	\$440,729	\$480,363
Total Actual Spend		\$294,889	\$325,615	\$345,431	\$0.00	\$115,115	\$134,932	\$294,889	\$440,729	\$480,363
* 2020 actual costs are based on annualized data taken from an April 2020 census										
** Vision Plans are 100% funded by the District unless an employee selects an enhanced plan										



**Financial Impact:**

- a. For the 2021 contract year the total vision benefit overall spend is projected at \$464,380 which represents a 3.33% (-\$15,984) decrease in total projected spend over 2020 projected cost, yielding a total District projected final contribution of 4.02% (-\$13,870) less than 2020 projected benefit spend;
- b. Heritage Vision plans are fully insured with 5,504 employees enrolled in these plans. Heritage initially proposed a 1.1% decrease in rates, an additional 2.2% reduction was also obtained for an overall decrease of 3.3% with a four-year rate guarantee and an increase of the dependent child age limit to twenty-six (26) was ultimately negotiated. The District and employee contributions will decrease from current with no additional risks to the District.

Table 3.0 represents total projected benefit costs (Employee and District) for contract year 2021.

<b>Table 3.0: Total 2021 Projected Vision Benefit Costs</b>				
<b>INSURANCE CARRIER(S)</b>	<b>COVERAGE TYPE(S)</b>	<b>PROJECTED DISTRICT TOTAL CONTRIBUTION*</b>	<b>PROJECTED EMPLOYEE CONTRIBUTION **</b>	<b>TOTAL PROJECTED SPEND</b>
Heritage Vision Plans***	Vision	\$331,561	\$132,819	\$464,380
<b>Total Projected Spend</b>		<b>\$331,561</b>	<b>\$132,819</b>	<b>\$464,380</b>
* Projected employer spend will vary based on actual plan and coverage level selected ** Projected employee spend will vary depending upon plan and coverage level selected *** Vision Plans are 100% funded by the District unless an employee selects an enhanced plan				

**Alignment to Strategic Plan:**

Exceptional Talent

**Financial Impact:**

Projected District total contribution of \$331,561 General and Grant Funds (Dependent on Actual Employee Enrollment).

**Contact for Item:**

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**Supporting Documents/Attachments:** Vision Benefit Provider Contracts

[Heritage Vision Plans\\_DPSCD\\_Amendment\\_ eff January 1 2021.pdf \(193 KB\)](#)

**Administrative Content**

**Agenda Item Details**

Meeting	Sep 15, 2020 - *Virtual*Regular Board Meeting
Category	13. Consent Agenda (Administrative Items)
Subject	13.05 Approval of Contract Amendments with Lutz Roofing and Schena Roofing
Access	Public
Type	Action
Recommended Action	Motion to approve the contract amendments with Lutz Roofing and Schena Roofing for an increase for roof repairs and replacements for the period of July 1, 2020 through June 30, 2021 in an amount not-to-exceed \$2,602,653.

**Public Content****Recommendation:**

That the School Board approve contract amendments with Lutz Roofing and Schena Roofing for an increase for roof repairs and replacements for the period of July 1, 2020 through June 30, 2021 in a total amount not-to-exceed \$2,602,653.

**Description and Background:**

This item was recommended for approval by the Academic Committee on August 24, 2020 and the Finance Committee on August 28, 2020.

The District would initiate roof replacements and repairs at Barton Elementary School with Lutz Roofing and at Poe for the boiler room at Edmonson Elementary School with Schena Roofing. Lutz Roofing will also perform general roofing repairs for the District. The unit pricing in the contracts proposed by the vendors is noted below. In addition, the District would immediately implement a roofing maintenance plan to protect these roofs once replaced that is aligned to the manufacturer's warranty parameters.

Lutz Roofing, is a full-service roofing and sheet metal commercial contractor with over 35 years of experience installing single ply commercial roof systems in Michigan, Ohio, Illinois and Indiana. Lutz Roofing installed roofing systems at Emerson Elementary-Middle School, Bagley Elementary School of Journalism and Technology, and Spain Elementary-Middle School in 2016-2017 fiscal year. Spain's roof was the system financed by the Ellen Degeneres Show and attracted sizable local media attention. Also, during the 2017-2018 fiscal year, Lutz worked on a series of District-wide repairs at Cody High School, Mann Learning Community, Carver STEM Academy, Henry Ford High School, and several other District schools. All projects were successfully completed.

Schena Roofing, is a full-service roofing commercial contractor. The firm is family owned, and services the Michigan, Indian, Ohio areas. Schena has been in business of commercial and institutional, large scale roofing projects for over 50 years. Our roofing consultant, Plante-Moran highly recommends them for this work.

Both roofing contracted companies offer one-year warranties on workmanship on every new roof installation, with 20-year warranties on materials. They are also certified and authorized to repair every roof system they offer by the manufacturers of the roofing systems. Therefore, if unforeseen water intrusion occurs, the District can be assured the roof is repaired correctly.

**Previous Outcomes:**

Lutz Roofing	Contract Expenditure
Fiscal Year 2017 – 2018	\$237,515
Fiscal Year 2018 – 2019	\$227,343
Fiscal Year 2019 – 2020	\$435,590

**Expected Outcomes:**

Lutz Roofing and Skena Roofing currently have a contract with the District to complete the roof repairs and replacements at Bennett, Carver, Edmonson, and Logan for a total amount NTE \$1,946,923. The amendment will increase the contract value for Lutz Roofing for an additional \$614,487 for a total value NTE \$2,084,187 and Skena Roofing for an additional \$41,243 for a total value NTE \$518,466.

Lutz Roofing Barton Elementary School ROOF REPLACEMENTS	
Cost	\$300,510
15% Contingency	\$45,077
Lutz Roofing District-Wide ROOF REPAIRS	
Cost	\$268,900
Total NTE	\$614,487

Skena Roofing Poe @ Edmonson ROOF REPAIRS	
Cost	\$35,863
15% Contingency	\$5,380
Total NTE	\$41,243

Alignment to Strategic Plan:

Responsible Stewardship

Financial Impact:

\$2,362,653 from Capital Funds  
\$240,000 from General Funds

*Bid Process:* On July 15, 2020 the District issued a Request for Proposals (RFP 21-0047) for roof replacement and repair of three schools: Barton Elementary School, Southeastern High School and Poe located at Edmonson Elementary School. DemandStar received five qualified responses for the three schools. Based on evaluation of the proposal Skena Roofing and Lutz Roofing were selected as the suppliers due to pricing, past work history with DPSCD, overall capability, qualifications, and the ability to meet the District’s project timeline. There was not a vendor selected for Southeastern High School.

Contact for Item:

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21-0041-C Skena Contract Amendment.pdf (737 KB)

DOC082520-08252020084141.pdf (1,004 KB)

Administrative Content



**Agenda Item Details**

Meeting	Sep 15, 2020 - *Virtual*Regular Board Meeting
Category	13. Consent Agenda (Administrative Items)
Subject	13.06 Approval of Contract Amendment with Progressive Distribution Systems
Access	Public
Type	Action
Recommended Action	Motion to approve a contract amendment and increase for Progressive Distribution Systems for storage and distribution of personal protective equipment for the period of July 1, 2020 through June 30, 2021 to increase the not-to-exceed amount by \$565,764 from \$249,000 for a revised amount not-to-exceed \$814,764.

**Public Content****Recommendation:**

That the School Board approve a contract amendment and increase for Progressive Distribution Systems for storage and distribution of personal protective equipment for the period of July 1, 2020 through June 30, 2021 to increase the not-to-exceed amount by \$565,764 from \$249,000 for a total amount not-to-exceed \$814,764.

**Description and Background:**

This item was recommended for approval by the Academic Committee on August 24, 2020 and the Finance Committee on August 28, 2020.

In support of the District's Reopening Plan, COVID-19 related supplies and equipment will be ordered from multiple vendors for monthly distribution at all schools and offices. The expected volume and frequency of these items will exceed the District owned warehouse's capacity. Progressive Distribution Systems has agreed to provide logistical services specific to the COVID-19 supplies. The contract renewal includes the transition of services between July and October and the receipt, count verification, storage, and subsequent delivery of COVID-19 related supplies and equipment to school and District office every month.

In May 2019 the School Board approved a contract renewal with Progressive Distribution Systems to continue to provide labor, materials, supplies and management of the District's warehouse. The renewal provided support of the 1:1 initiative and extraction of high school textbooks no longer needed due to the purchase of new curriculum. Additionally, the warehouse supported the reactivation of schools that were previously chartered and/or leased and continued to provide courier service between District schools and offices.

The District completed a financial analysis of the services rendered and moved forward with a plan to in-source warehouse operations including hiring staff, purchasing trucks, equipment and supplies and refining operations for the 2020-21 school year. Recognizing the need for support during the busiest time of the year for warehouse operations, the District entered into a short-term transition agreement with Progressive Distribution Systems during the summer months.

Progressive Distribution System is a warehouse and distribution company owned by Evans Distribution Systems its parent company established in 1929. Evans Distribution System also owns Central Detroit Warehouse and three truckload carriers (Merchants Forwarding Co., Maverig Freight and Alden Logistics), a transportation management company (Evans Logistics) and a temporary staffing agency (Evans Resource Solutions). In the Detroit area, Progressive's expertise is in automotive logistics, from warehousing to just-in-time deliveries. The company performs logistics for major companies like Girl Scouts of America and Crown Royal.

**Gap Analysis:**

The District's warehouse and schools lack the capacity to receive, count, store, and distribute the expected number of supplies and equipment.

**Previous Outcomes:**

Fiscal Year	Previous Expenditures

2017 – 2018	\$1,072,602
2018 – 2019	\$1,056,277
2019 – 2020	\$664,250

**Expected Outcomes:**

Progressive Distribution System currently has a contract with the District to warehouse management services for a total amount NTE \$249,000. The amendment will increase the contract value for Progressive Distribution Systems for an additional \$565,764 for a total value NTE \$814,764.

As the District prepares to order and receive large quantities of PPE, Progressive Distribution Systems will receive, count, store and distribute PPE as directed by the District.

**Alignment to Strategic Plan:**

Responsible Stewardship

**Financial Impact:**

\$814,764 from General Funds

*Bid Process:* RFP #18-0078-0-2018/OPS was issued on DemandStar on April 13, 2018 and received only one response. Based on evaluation of the proposal, Progressive Distribution Systems was recommended for a one-year renewal as the supplier due to its competitive pricing, previous experience and customer satisfaction with services.

**Contact for Item:**

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18-0036-C Mod 7 signed.pdf (458 KB)

21-0036-C Mod 6 Attachment C signed.pdf (468 KB)

**Administrative Content**