



## Memorandum

**Date:** 1/20/2026  
**Meeting of:** City Council

**File No.** AM No. 26-006  
**Type:** Consent Item

**TO:** Members of the City Council  
**FROM:** Mayor Angela Birney  
**DEPARTMENT DIRECTOR CONTACT(S):**

Human Resources	Cathryn Laird	425-556-2125
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**DEPARTMENT STAFF:**

Human Resources	Kseniya Daly	Deputy Human Resources Director
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**TITLE:**

Approval of the Fifth Amendment to the Gallagher Services Contract to Provide Managed Payroll Backup Services

**OVERVIEW STATEMENT:**

The Gallagher contract was executed on 10/01/2021 to provide Healthcare Broker Professional Services. The Human Resources department has a longstanding active relationship with Gallagher for Benefits Administration Services and are seeking to amend the current contract to include Payroll Consulting Services. This 5<sup>th</sup> amendment will provide Managed Payroll Backup Services.

☒ **Additional Background Information/Description of Proposal Attached**

**REQUESTED ACTION:**

☐ **Receive Information**      ☐ **Provide Direction**      ☒ **Approve**

**REQUEST RATIONALE:**

- **Relevant Plans/Policies:**  
N/A
- **Required:**  
Council approval is required for the amendment valuation
- **Council Request:**  
N/A
- **Other Key Facts:**  
The Gallagher contract has been amended three times since 2021 to renew the brokerage services. The most recent Amendment 4 in December 2025 is to add partial Payroll Procedural and System Optimization Audit Services.

**OUTCOMES:**

The managed processing of the City's payroll function through Gallagher's scope of work serves two purposes. First, with the HR/Payroll system being implemented through UKG Pro in 2026, a comprehensive review of the City's internal payroll processes, controls, technology and procedures through actual payroll processing is essential to assess effectiveness, efficiency, and completeness of current practices while identifying opportunities for necessary enhancements. Second, due to payroll complexities and reduced staffing anticipated over the next six months, the consultant will provide for continuity of payroll processing.

**COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:**

- **Timeline (previous or planned):**  
N/A
- **Outreach Methods and Results:**  
N/A
- **Feedback Summary:**  
N/A

**BUDGET IMPACT:**

**Total Cost:**

Project #2: Managed Payroll Backup Services will be approximately \$13,350 per pay period for 12 pay periods (six months), resulting in a total estimated cost of \$160,200.

**Approved in current biennial budget:** ☒ **Yes** ☐ **No** ☐ **N/A**

**Budget Offer Number:**

296 Human Resources

**Budget Priority:**

Strategic and Responsive

**Other budget impacts or additional costs:** ☐ **Yes** ☐ **No** ☒ **N/A**

***If yes, explain:***

N/A

**Funding source(s):**

Human Resources 2025-2026 budget

**Budget/Funding Constraints:**

N/A

☐ **Additional budget details attached**

**COUNCIL REVIEW:**

**Previous Contact(s)**

Date	Meeting	Requested Action
1/6/2026	Committee of the Whole - Planning and Public Works	Provide Direction

**Proposed Upcoming Contact(s)**

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

**Time Constraints:**

Payroll Backup Services began in December 2025 to provide for consultant onboarding of the City's payroll services in preparation to be fully functioning by February 2026. Due to UKG Pro project timeline and staffing constraints, it is essential to meet this February due date.

**ANTICIPATED RESULT IF NOT APPROVED:**

If there is no viable payroll system backup, staffing constraints anticipated by February and into second quarter 2026 will negatively impact payroll processing. Additionally, a comprehensive review of the City's internal payroll processes, controls, technology and procedures to assess effectiveness, efficiency, and completeness of current practices will not occur or will not occur timely, which will impact the timeline of the implementation of UKG Pro, planned to go live in 2026.

**ATTACHMENTS:**

Attachment A: Fifth Amendment to Gallagher Contract  
Attachment B: Fourth Amendment to Gallagher Contract  
Attachment C: Third Amendment to Gallagher Contract  
Attachment D: Second Amendment to Gallagher Contract  
Attachment E: First Amendment to Gallagher Contract  
Attachment F: Original Gallagher Contract-2021