City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes
City Council

Tuesday, August 4, 2015	5:00 PM	Johnnie Arolfo Civic Center 400 West Walker Street

Workshop

The City Council of the City of League City, Texas, met in a workshop in the Council Chambers at 200 West Walker Street on the above date at 5:00 p.m.

Mayor:	**Tim Paulissen**
City Council Members:	**Dan Becker** **Tommy Cones** **Heidi Hansing** **Todd Kinsey** **Geri Bentley** **Keith Gross** **Nick Long**
City Manager:	**Mark Rohr**
Deputy City Manager:	**John Baumgartner**
City Attorney:	**Nghiem V. Doan**
City Secretary:	**Diana M. Stapp**
Chief of Police:	**Michael Kramm**
Director of Engineering:	**Earl Smith**
Director of Finance:	**Rebecca Underhill**
Director of Human Resources/Civil Service:	**Queenell Fox**
Director of Parks & Cultural Services:	**Chien Wei**
Director of Planning & Development:	**Paul Menzies**

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Paulissen called the meeting to order at 5:00 p.m. and called the roll. All members of Council were present except Keith Gross, with Dan Becker arriving at 5:07 p.m. and Tommy Cones arriving at 5:38 p.m.

2. PRESENTATION AND DISCUSSION REGARDING EMPLOYEE BENEFITS, INCLUDING HEALTH INSURANCE (DIRECTOR OF HUMAN RESOURCES AND CIVIL SERVICE)

Queenell Fox, Director of Human Resources and Civil Service, introduced Brent Weegar with IPS Advisors.

Brent Weegar said today we're going over the final recommendations for the 2015-2016 plan year. We have gone through the RFP process, we have gone through the best and final offer process and today we are here to wrap everything up with our recommendations. The first item we are going to take a look at is the historical partial self-insured analysis. One of the action items from our last meeting was to look at the last five years of cost in terms of claims cost and what you had paid in with regard to fully insured premiums versus what we would expect to pay out in terms of a partial self-insured health plan over that time period. We went back to 2010 and took your claims data and took out any large claims over $125,000 because under a partial self-insured contract we would have purchased stop loss insurance for those large claims. So we took those out of the gross claims to get you net paid claims and then when we took your fixed cost which would be your administrative fees and your stop loss premiums as well as healthcare reform fees that you would be responsible for over that time period we came up with the total partial self-funded cost and what we are projecting. You will see a total ($26,877,512) that was paid over a 5 year time period plus the 2015 year to date. We also looked at the fully insured premium that was paid out over that same time period ($26,671,363). The difference between those two amounts was $206,149 basically saying under a partially self-insured health plan you would be paying about $206,000 more. Now in the scheme of things we are talking $26.8 million to break even over the long term. The last 6 months weren't so good in terms of a partial self-insured contract which is fully insured, you would have been in the hole about $542,237. One of the reasons for that is we had a very competitive insurance offer on the table last year with United Healthcare and we selected that because it was at a 0% increase. We actually got it down a little further and so our recommendation last past year was to remain fully insured. This year we are looking at a much larger increase with fully insured cost to market correction so this upcoming year makes it much more feasible for us to look at a partial self-insured arrangement. Our partial self-funding proposal analysis includes our current fully insured offer and our best fully insured offer. The current fully insured offer that you are paying right now is about $5.3 million per year, annual cost. The best fully insured offer we have on the table right now is with United Healthcare with about a 20% increase. The reason why this has changed since last time we presented to you is Aetna had on the table about 11.5% increase after you took into account the credits that were going to be given to you and the allowances as well. That offer was on the table, it was an illustrative offer at the time and they required claims experiences. IPS provided the updated claims experience. I contacted Aetna to see if the fully insured offer was firm and they advised it was. However a couple days later they came back and said sorry for the miscommunications, this was from a sales rep who miscommunicated to you. It was not a firm offer and they increased their offer to about 27% from 11%. The reason for that is in the last three months there has been deterioration in paid claims. So now Aetna's offer is about a 21% increase when you take in the credits that they offered.

Next I want to go over what the renewal costs were. So we have a 20% increase with the fully-insured proposal. Option 1, which is a finalist, United Healthcare partial self-funded proposal comes in with a projected cost increase at 21.2%. If we compare this proposal versus their fully insured proposal this is what we project to spend for next plan year. The next option was Boon Chapman who came in at a 13.1% increase. Option 3, Aetna came in at a 15.8% increase. The expected monthly and annual funding includes the cost for administrative fees, stop loss premiums, healthcare reform, and also an estimated reserve funding ($620,000). With partial self-funding there is an aggregate stop loss because you could pay more than the expected amount if claims become higher than projections. The aggregate stop loss amount is about $5.78 million in claims. The maximum annual funding is about $7.15 million with Boon-Chapman, about a 34.9% increase over the current. That would be the maximum amount that the City would be out if claims came in well above projected costs. What we are recommending this upcoming year is to move to a partially self-insured model with Boon Chapman at the 13.1% increase overall. So when we look at options for contributions we are basing your total increase in rates at about $692,755. Plan Options we are recommending to implement for this upcoming plan year are Boon Chapman. Boon Chapman indicated through their response that they are going to be able to match the current plan as it is set up today. We are recommending a few changes to the current plans. The first thing you will notice is the network would be considered EPO for the upcoming year. Right now we are under a PPO network (Preferred Provider Organization). An EPO is Exclusive Provider Organization meaning that we will have a broad PPO network however there will be no out-of-network benefit moving forward. So employees will have access to Aetna's large network but if they choose to go out of network for a certain procedure we will no longer cover that. Aetna has a very substantial network that most employees should have no issue finding those providers that are in network. So a couple of things about that, if it is an emergency situation the provider will be covered in-network basis. A couple of things about that, if it is an emergency situation the provider will be covered in network basis, they will not be treated out of network. One of issues that we are going to have to make sure to explain to employees is to ensure their provider is in network and if there is a referral to another provider that they are also in network with Aetna. There will have to be more communication with the doctor to ensure that there are no issues moving forward. I don't expect a whole lot of issues there because currently there is about 99% utilization of the network and the network with Aetna is very broad. For the deductibles we are recommending them to stay the same through this upcoming year, no changes in the deductible amounts. For the out of pocket maximum we are recommending a $500 change to the current Buy Up Plan. You will see that goes from $2,000 to $2,500. There will be a $1,000 change for families, going from $4,000 to $5,000. You also see the same adjustments in the Core Plan. For the Emergency Room the copay is going up to $150 copay, doubling the copay and then applying a 20% co-insurance after that has been met. That applies to both plans. Currently the Buy Up plan is $75 copay which is low when you look at benchmarks. The $150 is in line with what we see other municipalities offering, then 20% after. So basically getting both plans in line with what we see in the market. Urgent Care copay would go to $75 for both plans.

Basic Lab & Radiology, currently there is no cost sharing. That is basically lab that is performed in a providers or specialists office. Currently that is covered under the copay with no cost sharing there so we are proposing to make it 20% cost shared on that service. Now preventive lab of course would be covered at 100%. For prescriptions we are recommending to look at adding the fourth tier prescription which is specialty drugs, basically adding that for the Buy Up plan. We are proposing to move that to 20% cost shared in both plans. Specialty Drugs are your significantly large drugs that are attributed to chronically ill and specialty conditions. Currently the Core Plan has a $100 copay for those drugs. Coverage for preventative generics is $0 so basically those drugs are the ones that are going to control chronically ill conditions such as cholesterol, high blood pressure, diabetes, those sorts of drugs that are very important for employees and participants to take. Lastly Mandatory Generic program, if there is a generic available for their drug it would be requiring employees to take that generic drug. Right now there is a 97% generic substitution so it will affect about 3% or so of employees that are on the plan.

Looking at contribution options for a self-funded renewal, in the current plan you have 295 employee in the Buy Up Plan and 187 in the Core Plan. The City premium contribution in the Buy Up Plan is 81% and in the Core Plan the contribution is 85%. Last year we settled around the benchmark on the Core Plan at 62% dependent funding, 100% for employee. You decided to elect about 57% dependent funding on the Buy Up plan, 98.2% for the employee. There is about a $10 differential for employees who elect the Buy Up plan versus the Core Plan which was not a big dollar amount at the end of the day. That is why you saw most of your highest risk people remain on the Buy Up plan. So last year we talked about making this a multi-year strategy. One option is going to be to cut that cost differential in half and another one is a total cost vehicle. That is the current plan. The next option is your partial self-funded renewal (Boon Chapman). Under this option basically what we have done is taken projected partial self-insured cost this upcoming year and that is what your total net in cost equals, a 13.1% increase with a $692,755 increase overall. What we assume under this option is in keeping the same percentages we used last year, keeping the 62% for dependents and 100% for the employees on the Core Plan, 57% for dependents and 98.4% for the employee on the Buy Up Plan. So the city will pick up about $575,818 of the total increase and the employees will pick up $116,937, about a 13% increase for both the employer and employee. Now that is not our recommendation for this upcoming year. What we propose is a partial self-funded option (Option 1b) which cuts the cost neutral option in half taking employees on the Buy Up Plan to a $30 monthly rate, making the dependent funding cost neutral to the City. Partial self-funded Option 1c would make everything cost neutral to the City, about a 30.6% increase to the employees. On the other items I would say is the Vision Plan may be changing this upcoming year. As of today the Dental Plan is under a two year rate guarantee phase so there is no increase.

Mark Rohr, City Manager said I think if you could make some of the changes suggested tonight we can go over this one more time and go from there.

3. DISCUSSION REGARDING PROPOSED BUDGET FOR FISCAL YEAR 2015-2016, INCLUDING FY2016-2020 CAPITAL IMPROVEMENT PLAN (DIRECTOR OF FINANCE)

John Baumgartner, Deputy City Manager gave a brief overview of the projects listed in the FY2016 Proposed Capital Budget. Council was provided a handout of the Tax Supported and Revenue Supported Programs in the Capital Improvement Projects FY2016 – FY2020.

Mark Rohr, City Manager said it is safe to say more needs than resources five years out, meaning we have to grow our way into dealing with everything we need to do going forward. We have another step in the process, to review somethings that came up at some of the last work sessions. It is subsequent to those work sessions that included Council's direction in terms of reducing the proposed budget to the tune of $2.4 million. We have those detailed in handouts before you tonight. The first one is something Mr. Cones brought up at a previous meeting regarding code enforcement and the ability to issue citations. We have developed a white paper on that. I think that is something that we intend to pursue based on the information that Paul Menzies provided me. I don't know that that is going to enhance revenue but it should make the enforcement process a little more efficient and effective.

Mr. Menzies, Director of Planning & Development said the analysis that Code Enforcement provided shows a number of cases to be open versus the number of cases that end up being homestead properties that we need to recoup costs from. It was a very small percentage, less than ½ of 1% of all our cases. That is why Mark conveyed it would be a nominal increase of revenue but more importantly quicker compliance.

Mr. Rohr said the next one Rebecca Underhill will cover. There were some questions with respect to the City Attorney budget at one of the prior work sessions.

Ms. Underhill, Director of Finance said in the City Managers cover letter to the budget the $171,400 in savings was included in that letter as savings through the incorporation of an in-house city attorney. At the time the proposal to go in-house came to Council last year there was a spreadsheet that is in your packet that outlines how the budget was made up for all legal costs. That included the cost for the city attorney's budget which was $643,000 for FY2015. There were some legal costs in the Human Resources budget for $45,000 and then there was an administrative support person in the Finance budget for $70,000. So there was total cost of $758,000. So in the FY2016 the City Attorney's budget is $585,920. When I ran the calculations for the managers' letter I just compared those two numbers and that was entirely an error on my part. What I failed to incorporate was a half of an administrative support person that shared in my budget and the city attorneys' budget. So I was off $38,000 on that number so the actual savings that is in the FY 2016 proposed budget is $133,909.

Mr. Rohr said the next item 3 has to do with the Chamber of Commerce. Remember there has been some discussion in the past on that and based on the fact that there wasn't any direction provided we didn't include anything in the budget. There were thoughts that were advanced at one of the prior work sessions about doing so. There is nothing in there right now and I think year to date dues that we have reflected on the one spreadsheet shows $1,500 for existing budget. We were going to leave that up to Council's determination.

Mr. Rohr said the next item is kind of all-encompassing and you have a number of sheets that supplement it for this discussion. I think the crucial sheet is the last page but there are a couple of items that are associated with that. You made the decision to reduce the proposed budget to the tune of $2.4 million so I got together with Ms. Underhill to figure out different ways to come up with that based on the circumstances that we were presented with. In addition there were a couple of other projects that were brought for consideration; that being the ceramic class that was discussed before and to some degree the Ghirardi House renovations. There are some estimates in there that the Engineering Department developed for the Ghirardi House project and if I am reading the numbers correctly the lowest was $95,000. When we looked at that before the direction we were given was to get with the people from the museum to figure out a program plan for what you would use it for, what is the purpose of the house, how are we going to utilize it, how are we going to convey it to the public. That was done and based on that program plan these specifications were put together to send out to get these numbers and that is how we arrived at this point. So having said that, those two items would be in addition to the $2.4 million since they are not funded at this point in time. If you look at the ceramic class memo it talks about a year round funding for both classes of $72,688. I think Council wanted some revenue alternatives explored and we have done with options A, B and C. The first option would produce $3,850 in revenue, 22% of the program cost. The second option would produce $5,500 in revenue, 31% of the program cost. The third option would produce $9,625 in revenue, 54% of the program cost. So I guess what I am asking you to consider is those items on the last sheet and whether or not you want to fund these other two projects. One of the ideas that had been floated around was to take the Ghirardi House costs, which if you round up to $100,000 that perhaps we could entertain a fundraising drive that could split the cost with the City if the City was interested in funding it and go through a fundraising project to raise the other half of the money necessary for the improvements to the house. So let me go over the last sheet, you have already made that move that was part of the commitment you made early on with the MDD issue. So what Ms. Underhill and I came up with is that we have with the proposed budget an overage of revenues versus expenditures which is typically how I like to do budgets to the tune of $234,000. You will remember we talked earlier about the percentages on the health insurance and I said that would come into play later on, this is where it comes into play. So at 11.5%, because when we put these numbers together this was based of the traditional insurance plan from before not having the recent development that we discussed this evening come to light until after this, but at 11.5% that you see another $325,000.

Reducing funding for Capital Projects, one of the specific projects which was one of the projects that we just went over to the tune of $500,000 and that would be one of the Roadmap projects. One of the two Roadmaps projects that was included in there that I found another funding source for. In my mind those are probably the most two most important projects in my mind in the entire budget because they give us a way forward in a way to produce revenue over time and will help us do all these things on our wish list that we can't afford right now. So I was very careful in going back and considering that but I think I have another funding source on one of them that can make that $500,000 up and we can still make significant progress on both those projects next year. It would have an impact more specifically on the Downtown Project but when I give the presentation I have other funding sources that I have developed that I think can be more fully enhanced so we can do that project. The traffic signal was discussed before at FM517 and Calder for $320,000. Mr. Baumgartner referenced the reduction of land purchases for city initiatives for about $600,000, different things for expansion of City facilities and different things that we need going forward for projects. I think this particular one may have to do with one for the Public Works Department.

Mr. Baumgartner said at the Dickinson facility we obviously have several million dollars invested there. We know as we grow towards build out we need more land at some point in time and with funding available we believe that there is a need to make a strategic purchase of 10-15 acres to add to what we have.

Mr. Rohr said we have a chance to restore this in the future because as you know we have authorized the sale of some City property in the land bank and we are charting that closely and hopefully there will be some revenue produced from those efforts for not only this initiative but some of the other land that we need to further some of the Roadmap projects. So I think we are alright. The next project was one that we found that we could do without at this point in time which was in the IT budget for Fiber Network Traffic System West Side ($250,000).

Ms. Underhill said we are looking at going forward with that project, this is just a delay. There are other projects on the plate in IT including the system replacement with will be coming to you very soon. So Ryan felt that we could put this off.

Mr. Rohr said the last thing was the vacancy created recently that we hadn't planned on (City Auditor $170,940). We have the potential to hire a person within our reorganization plan that has the ability to do some of the management audits that you have charged with and given me as my goal. I think we are starting to get some of the policies in place that had created problems for the City in the past. Specifically a purchasing policy and just this week what I think is the first time we have ever had centralized personnel rules and regulations. We are starting to get the management team in place that can do things as they need to be done going forward and with this additional person I think there is a way to fill that role without actually filling the position that has been vacated by the recent resignation.

4. ADJOURNMENT

At 8:17 p.m. Mayor Paulissen said there being no further business this meeting is adjourned.

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TIMOTHY PAULISSEN
MAYOR

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JEANNE HAMMACK
DEPUTY CITY SECRETARY

(SEAL)

MINUTES APPROVED: