



Meeting Minutes  
City Council

---

Monday, July 13, 2015

5:00 PM

Johnnie Arolfo Civic Center  
400 West Walker Street

---

Council Work Session

The City Council of the City of League City, Texas, met in a work session in the Johnnie Arolfo Civic Center at 400 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 5:05 p.m. and called the roll. All members of Council were present except Tommy Cones and Nick Long.

Absent 2- Mr. Tommy Cones and Mr. Nick Long

Present 6- Mayor Tim Paulissen, Mr. Dan Becker, Ms. Heidi Hansing, Mr. Todd Kinsey, Ms. Geri Bentley and Mr. Keith Gross

2. **DISCUSSION REGARDING GALVESTON COUNTY RENTING SPACE IN BUILDING 500 FOR PROBATION OFFICER (CHIEF OF POLICE)**

Chief Kramm said a few months ago I was approached about the idea of bring adult probation officers back to some office space in League City. During the first 15 years of my career in League City we had those services available at the Adult Probation Office on FM 646 where the County of Galveston Annex building was located. When the County built their new building they didn't include any space for this service. So in doing some research, the way adult probation works is the State pays all of the probation officers salaries and benefits and the respective counties are tasked with housing them and paying for it. Currently they have a probation office on Galveston Island and in Texas City. When I was approached by it I was surprised by the numbers. Three main zip codes that encompass League City are 77539, 77565 and 77573. A lot of our physical addresses actually are Kemah and Dickinson mailing addresses. Everything on the southwest end of the City is largely Dickinson mailing addresses with the 77539 zip code. So we are looking at somewhere between 730 and 750 people who live in our city who actively have to utilize this service. They are already here. It is not like we are inviting strange areas into our city. I talked with staff and looked at some of the city facilities that we have that could possibly accommodate them. The old jail at 500 West Walker is really the only place we could house 7 – 8 of their people and accommodate that flow of thugs and still keep their clients separated from our city clients and city employees. When I spoke with them they wanted to move forward but I talked to Mr. Rohr and he suggested that it be presented to you before we start working out any details. It is not reinventing the wheel. It has existed in League City for years. I need your opinions on whether you want us to move forward with this or not and to see if it is feasible to convert that existing jail space at 500 West Walker into office space. I wouldn't think this is something we would want to pay for and further more I would look at it being more focused and concentrated on League City and what happens to us here. If we can get some funding input from them to make that about 5,000 square feet of useful office space, then I would expect we would ask them to pay some rent for that space. It is real convenient for them being right across from the new jail because quite common their probationers check in and have warrants. The space is currently being utilized as storage and we have no other plans at this time. If it becomes business retail or office space there is a lower standard of certain code enforcement to comply with than in its current existence.

Mr. Rohr said we encourage the Directors and employees as a whole to be entrepreneurial in their approach to local government and I think that is exactly what the Chief has done here. He was approached with an opportunity and he has tried to develop that so we can make an informed decision. So assuming that we don't bear any expense to the retrofit of the facility, we can generate some revenue and I agree with the Chief that it is an opportunity.

3. **PRESENTATION OF THE PROPOSED BUDGET FOR THE FISCAL YEAR 2015-2016**  
**(DIRECTOR OF FINANCE)**

Mr. Rohr, City Manager said we have included a cover letter that will give you an overview of what is in the budget. I would still recommend that you go through it page by page and call attention to different things that you might be concerned about or need more information on. That is the purpose of the different hearings that we have scheduled so that we can go through it section by section like we did last year. We have a brief overview slide tonight. I would ask Rebecca Underhill and Angie Steelman to come up. They have worked closer on the budget with the departments than I have and put a lot of time into the process. A lot of the presentation that I am giving here this evening is excerpted from the cover letter itself. On the first page we point out that this is a unique budget in several respects, at least two that I can think of. It is the first budget that will cover a time period after we reach the 100,000 level in terms of population. We anticipate, given the estimates by the Planning Department and the Building Department, to reach that level sometime in December of this year. It depends on a number of different factors including two rather large multi-family type developments that are going on as we speak that expect completion about year end. Also just as important, it is the first budget that has been compiled incorporating the ideas and goals of the community as with respect to the "Roadmap to the Future". Once again not my plan, not council's plan, and not the citizen's plan but "our" plan. So the ideas that were incorporated into that plan, based on the input that we received in this very building in January have now materialized themselves and manifested themselves in some of the line items in the budget before you. More specifically you will remember in February you ratified the work that was done in January and I will call attention to the purpose of this exercise. Short Term Goals (1-3 year) being Economic Development, Development of Central Historic / Business District, Debt Management, Community Facilities Master Plan and Traffic Improvements. You have your Mid Term and Long Term Goals but I think it is important to focus on the first stage for the time being. The total budget incorporated was \$178.5 million, \$5.6 million more than the current fiscal year, largely in my mind because of the incorporation of the Roadmap projects. In fact we are starting to energize the plan. These numbers are a little less than the numbers I went through with you in your briefings last week with respect to the budget, so it improved as far as the City is concerned and it is a less of an increase than was projected on those sheets I went over last week. It is based upon a tax rate of the same that has been in place for a number of years, now at \$0.597 per \$100 valuation, the same tax rate is in the current fiscal year and incorporates into the revenue projections Council's decision earlier this year to increase the Homestead exemption from 14% to 20%. It does not include the impact of water utility rate adjustments that should be on Council's next agenda, the second meeting in July. In addition there is some \$3.675 million in increased cash funding for capital projects which reduces the amount of debt projected for the year, once again was your third high strength priority in the Roadmap to the Future.

Also incorporated in this budget is some \$920,000 in funding for 380 agreements for economic development incentives. In my mind illustrating the need for some other funding source because this comes directly from the General Fund, which is legislation the election calling attention to that particular item is also on your agenda tomorrow night. Incorporated is \$784,000 for a 3% merit increase for those employees whose performance dictates a merit increase. We did a little bit of a study in order to come up with this number. Based on what we could find through the efforts of the Human Resources Department the City of League City has funded a 2% merit based increase for the last five years. In coming up with the recommended amount this year we conducted a survey of Texas cities including Grand Prairie, Killeen, Frisco, Denton, Carrollton, Round Rock and Lewisville and the more local cities of Pasadena, the Woodland, Pearland, Sugar Land and Baytown. The average increase granted this current fiscal year was 3.0% for the other cities surveyed in Texas and 3.55 for the more local cities. Based on that research we have been a little bit underneath that which entered into proposed recommendation of 3%. Data reflects a State wide average of 2% and a national data for private firms indicate between 2.78% and 4.87% for the upcoming year. We also plan to perform a market analysis in the upcoming year to ensure that we remain competitive with those people that are competing for our employees and employees that desire to work in the public sector. Also an item that we are going to talk about this one, we have a 20% projected increase for health insurance cost totaling some \$695,000. And 5 additional full time employees, which I believe to be a modest number in light of the growth rate that we are experiencing within the City, to provide for additional services and organizational needs going forward. You have heard me say this before, in order to achieve true long-term success we need to have the people, policies and practices in place necessary for that success to occur. This budget proposed to recognize the Finance and Public Works Directorates to provide for adequate staffing to work in a proactive manner to provide the resources to buttress the city's strategic goals, such as the Roadmap and securing water resources in the future. The reorganization plan comprises three of the overall proposed five new positions. So the reorg plan that we are talking about in this particular area is the 60% of the additional personnel we are recommending in this budget. It also includes the reclassification of some of the positions including the enhancement of the Finance Director's position to Assistant City Manager/Finance Director. This move will enable the Deputy City Manager to spend more time focusing on CIP and water resources for the future. So we kind of got an inside approach to things and an outside approach and we believe firmly that we need to have the Deputy City Manager's time freed up to pursue those important needs within the city. There are also residual secondary type benefits from the reorganization including meeting the increasing demands on the organization, meeting the implementation goals of the CIP, responding to the community in a more timely fashion, providing for succession planning through leadership development (an area that we are very vulnerable in), more completely address internal audits, dedicated staff function for insurance needs and provide for more special district oversight (which is a situation that has created some problems for us in the past). \$67 million in capital funding in the budget including Calder Road (\$9.1), Five Corners (\$5.5), N. Landing Blvd (\$2.5), land purchases (\$2.25), 518 Hike and Bike Trail (\$3.1), Palomino Trail (\$2.9), 30" Sewer - Calder Rd (\$4.1) and South Shore Rehab (\$3.5).

Smaller type items included are Fire Hydrant Painting, Retail study to enhance economic development opportunities, Additional sidewalk repair above and beyond what we have set aside in the past, Mobile message boards like we currently utilize but having more of them, Sign printer for the Street Department, Resurfacing City Hall parking lot, and 9 new vehicles for the Police Department. Something that I didn't include that we talked about in the past that I think is important to bring out is we talked about memberships and civic/social organizations within the city for department Directors to enable them to interface with the city and become more of the city operations going forward and those will be reflected in some of the line items that you will see when we start going over the different departments in the budget. Once again, when we sign off with the cover letter with "League City First" that reflects our joint effort to put the interest of the city first and foremost above any other interest, individual or collectively. League City First is the phrase that we use going forward and I think it is important to call attention to that as many times as we possibly can. We have work sessions set up starting July 21, July 27 and Tuesday, August 4 so we will have plenty of chances to address any questions that you might have.

4. **DISCUSSION REGARDING BENEFITS BROKER TO PROVIDE RECOMMENDATION TO CITY COUNCIL (DIRECTOR OF HUMAN RESOURCES AND CIVIL SERVICE)**

Queenell Fox, Director of Human Resources said insurance broker IPS Advisors, LLP just completed an RFP and that information came back the end of June so Brian Wilson is here to share with you the results and give their recommendation on where we go from here.

Brian Wilson said we are here today to talk about the preliminary results that we got from the RFP process. First looking at the Historical Claims (paid claims) vs. Paid Premium Report, as of the fiscal year 2014 the city ran at a 98% loss ratio. The loss ran well over and above what we intended. The plan year to date is running at 80.5% loss ratio and the reason for that is in January we switched carriers so we didn't have any run in from the previous claims. Per Capita Paid Claims vs. Per Capita Paid Premium, in fiscal year 2014 the claims ran at \$11,333, the premium was \$11,574 and that is where the 98% loss ratio comes from. The last 12 months shows the claims at \$11,386, premium at \$11,442 with a loss ratio at 99.5%. Per Capita Premium Cost vs. Nation, in fiscal year 2014 the nation ran 1.6% higher than League City. At current you are still running below the Texas Municipality too. Partial Self-Funding - this year if we decided to go Partial Self-Funding and break away from our fully insured strategy that we have now there are things to take into account. An insurance funding model wherein the City partially assumes the financial risk for funding health benefits for its employees by paying actual incurred claim costs (up to monthly and annual limits) and administrative fees instead of fixed premiums to an insurance carrier.

**Reinsurance / Stop-loss insurance is purchased to protect the City against catastrophic claims thus containing risk and facilitating financial solvency of the partially self-funded plan. Specific stop-loss is purchased to provide a liability limit on claims for individuals. Aggregate stop-loss is purchased to provide a liability limit on claims for the group as a whole. Benefits for being Partial Self-Funded include potential savings, if you have a good year you can actually save money. You can also help lower administrative costs. Flexibility, the City has the authority to pick and choose the best class vendors. Reporting, the City owns the data so you can get as much detailed reporting as you like. Control, the City can create custom benefits so you don't have to have a "cookie-cutter" insurance program that the plan assigns. And then the Health Clinic Integration, the City will experience integration and financial efficiencies of the investment. There are some risks of Partial Self-Funding. Claims Experience, if you do have a catastrophic claim the plan could pay out more than fully insured premiums but purchasing of specific and aggregate stop loss can mitigate that risk. The Plan must have appropriate cash flow and reserves to help pay claims as well. There is some Legal Risk, the plan has the legal responsibility to ensure that health benefits and policy comply with federal guidelines. Fiduciary liability exists and will usually be ceded to the carrier or third party administrator. During the RFP we did get some preliminary results in and these are the finalists that we recommend for Fully Insured: United Healthcare (incumbent) and Aetna. If we do decide to go Partially Self-Funded there were three: Aetna, Boon Chapman and United Healthcare. There were three Stop Loss carriers: Stealth Partner Group, HM Life and Voya. The Pharmacy Benefit Management was Express Scripts. Last year IPS projections for FY2015: United Healthcare (Current -Fully Insured) – IPS projection \$5,767,961 (paid claims \$4,777,133, fixed fees \$990,828). United Healthcare (Renewal – Fully Insured) - IPS projection \$6,592,139 (paid claims \$5,250,289, projected fixed fees \$1,241,749) 14.3% increase from current. Aetna (Fully Insured) - IPS projection \$6,528,163 (paid claims \$5,350,389, projected fixed fees \$1,177,773) 13.2% increase from current. Aetna (Partially Self-Funded) - IPS projection \$6,127,261 (paid claims \$5,350,389, projected fixed fees \$776,872) 6.2% increase from current. Boon Chapman (Partially Self-Funded) - IPS projection \$6,280,665 (paid claims \$5,350,389, projected fixed fees \$930,276) 8.9% increase from current. Preliminary RFP results show you are currently at \$5,300,399. The United Healthcare (Fully Insured) is a 26.3% renewal at \$6,694,406; Aetna (Fully Insured) is a 19.6% renewal at \$6,338,984. These stay the same because they are fully-insured and locked in. If we decide to go partially self-funded, if you include the IBNR (incurred but not reported), Aetna is a 15.6% increase at \$6,127,261 and Boon Chapman is 18.5% increase at \$6,280,665. Example of IBNR, if you went partially self-funded this year and in January decided to leave you do have to build in a reserve of about 2 months of claims that will incur but not be reported within that time frame. So you will have 2 months of runout that you include in your reserve so that you have the money in there to pay for any claims. There is a rebate that Aetna is proposing that is not built into those figures but they are offering a \$200,000 kicker for your fixed fees but it is a three year deal and is available for traditional insurance and the partially self-funded.**

Mr. Rohr said what we need tonight is direction. If you are interested in partial self-insurance what I had them do was to sit down and look at our claims over the last 12 months, and if we are under the partial self-insurance program what would our actual history over the last 12 months mean? The answer I got was that we would not have been to the \$620,000 reserve. It is the best we can do because we don't know what the claims are going to be going forward. But we do know there is some analysis that if we would have had this program in place for the past year based on our loss history for that same time period the self-insurance would have appear to have worked to the degree that we would not have tapped into that reserve fund.

Mr. Wilson said we will have the best and final numbers by the end of the week.

Mr. Rohr said we will bring this back to the Council at a future work session.

5. CONDUCT A WORK SESSION OF THE CITY COUNCIL TO RECEIVE INFORMATION CONCERNING AGENDA ITEMS APPEARING ON THE MEETING AGENDA FOR THE JULY 14, 2015 MEETING OF THE CITY COUNCIL OF THE CITY OF LEAGUE CITY.

NO VOTE OR ACTION WILL BE TAKEN ON ANY ITEM UNDER CONSIDERATION

6. ADJOURNMENT

At 6:07 p.m. Mayor Paulissen said there being no further business this meeting is adjourned.

---

TIMOTHY PAULISSEN  
MAYOR

---

DIANA M. STAPP  
CITY SECRETARY

(SEAL)

MINUTES APPROVED: