



Meeting Minutes
City Council

Monday, August 7, 2017

6:00 PM

Council Chambers
200 West Walker Street

Council Work Session

The City Council of the City of League City, Texas, met in a work session in Council Chambers at 200 West Walker Street on the above date at 6:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Dan Becker
Hank Dugie
Larry Millican
Todd Kinsey
Greg Gripon
Keith Gross
Nick Long**

City Manager:

John Baumgartner

Assistant City Manager/Director of Finance:

Rebecca Underhill

Assistant City Manager:

Bo Bass

City Attorney:

Nghiem Doan

City Secretary:

Diana M. Stapp

Chief of Police:

Michael Kramm

Director of Human Resources/Civil Service:

Janet Shirley

Director of Parks & Cultural Services:

Chien Wei

Director of Planning/Development:

Paul Menzies

Director of Public Works:

Gabriel Menendez

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Hallisey called the meeting to order at 6:00 p.m. and called the roll. All members of Council were present except Mr. Becker and Mr. Dugie.

2. PUBLIC COMMENTS

3. **DISCUSSION REGARDING THE CITY OF LEAGUE CITY PROPOSED BUDGET FOR FY 2017-2018**

Rebecca Underhill, Assistant City Manager/Director of Finance, gave a presentation. This is not new information, we talked about this as we went through the departmental budgets. These are in order of priority as outlined in the City Manager's memo included in the budget presented to you on July 10. Purpose of Tonight's Budget Workshop is to review Council input and questions from previous workshop presentations and review service enhancements requested by city departments which are not currently funded in the proposed budget. The goal of tonight's budget workshop is to receive Council input and consensus of service enhancements to prepare the budget ordinance for FY 2018.

When you see the budget ordinance there is going to be an increase for the following item that was inadvertently omitted from the budget that came to you on July 10.

Operating Funds: General Fund – Parks Operations \$16,500 for Landscape Maintenance of SH3 medians.

Also for the Capital Funds, you will see reflected in the budget ordinance a net decrease of \$551,331 in capital expenses. The FY2018 bond issue of \$18.63 million was reduced to \$18.36 million.

- \$60,000 increase in the tax supported program - Traffic Systems Improvements for the design of a new signal and right turn lane at League City Parkway and Magnolia Lane
- \$611,331 decrease in the revenue supported program – Force Main Upgrade from Bay Colony Lift Station to Ervin Street based on estimated timeline of construction award

The revised FY2017-2018 Proposed Budget with the above adjustments stands at \$204,039,212: Operating Budget \$128,330,727 and Capital Budget \$75,708,484.

Listed below are priority projects not currently funded (new program request). Inclusion of these items could be funded at property tax rate of \$0.56452:

Fire – Air Packs \$161,700

Emergency Medical Services:

Ambulance with 6 Paramedics -\$707,000 for FY 2018 (Ambulance -\$316,429, Staffing: 6 FTEs -\$390,571, 24 hours / 7 days a week (staggered hiring during FY2018) Annual cost for FY 2019 -\$520,000.

- **Alternate #1: Ambulance with 2 Paramedics -\$582,082 for FY 2018 (Ambulance -\$316,429, Staffing: 3 FTEs -\$265,653, 12 hours / 7 days a week. Starting October 1st**

- **Alternate #2: Ambulance with 2 Paramedics -\$489,144 for FY 2018 (Ambulance -\$316,429, Peak Call Staffing: 2 FTEs -\$172,715, 10 hours / 5 days a week. Starting October 1st**

EMS Call Types: 63% Advanced Life Support 1; 22% Basic Life Support; 14% Patient Assess (no transport); and 1% Advanced Life Support 2.

Police – Assistant Communications Manager \$83,100

Parks Operations:

Pool Maintenance Specialist (1 FTE) \$61,100 (General Fund 40% - \$21,800 and 4B Fund 60% - \$39,300)

Grant Administrator (1 FTE) \$111,900

General Fund – Non-Departmental – Additional 1% employee merit increase (January 2018 implementations) \$218,400

Planning – Keep League City Green Initiative \$25,000

Fire Marshal – 2 Vehicles (Tahoes) \$94,000

Emergency Medical Services – Replacement of 10 AEDs \$24,800

Police – 2 Vehicles (CID) to replace seized vehicles \$65,800

Library – EBSCO discovery services research subscription \$8,900

Parks Operations – Parks Maintenance Worker (1 FTE) \$48,200

**Fire Marshal – Deputy Fire Marshal (1 FTE) \$128,800
(Personnel Costs \$78,800, Vehicle \$47,000, Surface Pro \$3,000)**

General Fund Non-Departmental – July 3rd Fireworks \$30,000

Other priority items that are not funded (new program request):

Library – West Side Storefront Library - \$1 million budgeted for FY2018 (\$400,000 annual operating cost and \$75,000 to establish the location). Budgeted for an estimated opening date of April 2018.

- **Alternate option – Popup Branch \$10,000: includes equipment, supplies, outreach and staff mileage reimbursement.**

Fire – Fire Boat \$284,100

Economic Development – Downtown Façade Program \$30,000**General Fund Non-Departmental:**

- Christmas Tree and Decorations \$30,000
- Park N Ride Grant \$40,000

Next Steps:

August 8 – Public Hearing

August 22 – First reading of the budget ordinance

September 12 – Second and final reading of the ordinance

October 1 – Budget in place

4. PRESENTATION OF THE EMPLOYEE BENEFITS PLAN

Rebecca Underhill, Assistant City Manager, Director of Finance, said just an update from the last time we talked two weeks ago. This item is on the agenda for council approval for tomorrow night so we would like whatever questions, concerns or comments you might have tonight. We are trying to keep in line with our schedule so that we can meet our open enrollment deadline to have the plan in place for October 1.

Julian Fontana, IPS Benefits Advisor, gave a presentation. There are no major changes, just some small adjustments based on feedback that we received from Council and the Benefits Committee. For a quick recap, we touched on medical plan changes that we felt were impacting the plan that were different from Boon Chapman that were imposed with the introduction of the Cigna Plan last year and revisiting some of those costs and the impact potentially that they had on the plan this year. High-Tech Imaging, there was a prior authorization provision that was removed that indicated about \$177,000 in additional charges resulted from overutilization of the benefit or increase utilization based on benchmarking against Cigna's normative book of business for MRI, CT scan and PET imaging. The second item we looked at was removal of mandatory generics under the benefit plan. Moving to Cigna actual utilization was about 14,432 in actual spend based annualized increase utilization of brands versus mandatory generics during the plan year this year. Last area that we looked at was moving from an exclusive provider organization (EPO) to a preferred provider organization (PPO) and liberalizing the acceptance of non-network claims as an allowable expense against the plan. We had projected about \$70,000 in increased cost annually to the plan and actually out-of-network utilization has been approximately \$59,453 if you annualized that this year.

Moving on the renewal analysis, Cigna's fixed cost remained the same. There is an increase in the Aggregate and Stop-Loss reinsurance and the projected claims values that cumulatively would call for a funding increase of 13.3%. We had some discussion around the creditability of the utilization with Boon Chapman being blended with Cigna's utilization and we did a recalculation. The trend under the Cigna plan is actually higher and would call for a larger funding increase of about 18.2% in funding. So we looked at what opportunities there might be to reintroduce some plan controls with regard to prior authorization and plan benefit changes that we will look at in a minute. So the renewals and contributions funding for the current plans, if we were to increase the funding rates by 13.1% would fund the needed \$6,356,947 under the current dual option arrangement that the city has (high plan, low plan).

There has been discussion about some of the plan controls that could be reintroduced to possibly offset some of that higher trend increase. Reintroducing High-Tech imaging precertification, there 116 instances this year and potential savings could be \$53,321. Proliferation and utilization of these free-standing ER centers versus using Urgent Care that are more effective immediate Care centers. In order to address that we would suggest that an introduction of a copayment, coinsurance and deductible applying to ER visits at an increase cost share of \$46,066. We are awaiting a proposal later this week from UTMB as a higher-level network but an additional discount in consideration for those lower copays and out of pockets to the members for utilizing that. As soon as we get that proposal we will do a feasibility study and discuss that with Cigna in regard to implementation, and come back to you 4th quarter.

Changes specific to the Pharmacy benefit, move to a Value Formulary. This impacts drugs that have over the counter equivalents for antacid and allergy type drugs that people are getting brand drugs for. Introducing Step Therapy for particular drugs that are newly introduced, not interrupting anyone that is on high blood pressure or medicine that are currently taking, but any drugs that would be appropriate for step therapy be introduced on new prescriptions. Also include mandatory generics and a 90-day fill program. So respectively with the medical plan design changes and the pharmacy changes we were looking at a collective savings of \$166,621. We are awaiting a proposal to evaluate the feasibility of separating the prescription drug program from Cigna and placing it with a purchasing cooperative through the Public Employee Benefit Alliance. We don't have that proposal in place and probably not something we could do October 1 but we could look at the cost savings associated with that and possibly do that at January 1. So the idea would be to introduce these plan changes but not take credit against the funding increase and allow them to wreak whatever savings they could on actually.

One of the other things that we are looking at introducing that could also offset some of the cost is introduction of an HSA Plan in the Cigna model. You would have a high deductible health plan combined with the health savings account that would be partially funded by the city through contributions. This drives down the cost a little bit from 13.1% to 12.4% utilization overall.

We have discussed these options with staff and reviewed them, created a funding model whereby we would greatly reduce the cost of dependent and family coverage under the HSA option to give people an opportunity to buy in for family coverage and dependent options at a lower premium overall. The Mid-Plan would be the current dual option plan and the Buy-Up Plan would remain the same. The City's funding was adjusted to bear a larger portion of the dependent care cost in this scenario so the city's contribution would remain at 13.1%. The employee's contribution to cost would be at 7.7% and that includes funding of an HSA account of \$870 per year for any member electing to participate in that HSA option. So there is a combination if you elect the high deductible health plan you are able to afford better copayments for your dependent coverage as well as get funding for offsetting that deductible of a high deductible health plan. This does introduce a \$10 copay per month at the Mid Plan for employee only coverage for employees that want to stay in the plan and not go to the high deductible plan.

Moving on the dental coverage, we had a proposed increase of over 20% from Aetna for the dental plan. Through a competitive bid process, we were able to get basically substantially the same benefits for both the dental PPO and dental HMO plan from MetLife that would come in at about a 10% increase, 9.64% overall. So the recommendation is to move to MetLife for the dental plan.

We talked about introducing group benefits on a voluntary basis that would be borne by the employees to give them opportunity to purchase coverages that could be bought on a guaranteed issue basis versus the Aflac coverages that are purchase on an individual basis now. There are some advantages in the premiums and in the benefit coverage levels and the ease of access to care. So Colonial through the RFP process was the provider that was determined to have the best package for voluntary accident, voluntary cancer and voluntary critical illness coverages. These would be available to the employee to elect and then pay for through payroll deduction. We have talked with Finance and City Staff and they feel we could grandfather the 20 or so people that are currently taking that Aflac coverage and not disrupt that coverage if someone wants to retain those policies. The Colonial offering provides a good venue for allowing for some additional coverages especially with the high deductible health plan for the accident or critical illness.

In summary, Health Plan Renewal - IPS recommends renewal with Cigna for the 2017 – 2018 plan year for its stop loss insurance and health plan administrative services. Overall, IPS was able to negotiate the City's Maximum Annual Cost obligation to a 12.4% increase over current. This renewal includes no increase to Cigna administration fees, an 18.7% increase in fixed stop loss premiums and a 21.7% increase in Aggregate liability. Additionally, one \$300k laser deductible on a large claimant has been issued and this additional liability has been included in the renewal. As for Expected Annual funding, the renegotiated renewal increase of 13.1% falls in line with the City's 2017 – 2018 budget. Per our prior meetings with Council, Management and Committee, IPS has provided the plan design and contribution options discussed within this analysis.

We are recommending that the City maintain its budget at 13.1% even if plan design changes are selected. This is due to annualized claims projections with Cigna and continuing to maintain a conservative budget approach.

Health Savings Account Alternative IPS recommends consideration of a Health Savings Account alternative for the 2017 – 2018 plan year. This alternative will combine a IRS qualified high deductible health plan with an tax preferred Health Savings Account to assist in funding out of pocket health care expenses. Both the employer and employee may contribute to this account tax free and funds can be utilized for qualified health / dental / vision expenses tax free. Unused funds may be rolled over tax free at year end. Overall, this plan option is designed to shift greater responsibility to members to become stewards of both the health care dollars (Member and City) and grow their savings account over time in preparation for retirement.

Network Alternatives IPS is actively working with UTMB regarding a potential preferred discount network for the City of League City. At this time, IPS is compiling data needed for UTMB for consideration in their proposal. Due to the substantive due diligence needed from UTMB, IPS and Cigna, it is likely options for Council consideration will be proposed for potential implementation after the start of the plan year and likely closer to January 1st.

Dental Plan Renewal IPS recommends a carrier change from Cigna to MetLife for the 2017 – 2018 plan year. The renewal represents a 9.64% increase to current premium costs and plan designs / network substantially match the current Aetna network. Additionally, there is a rate cap increase of 7% for year 2 with MetLife.

Voluntary Benefits, IPS recommends implementation of the Colonial Voluntary Benefits program. The program would include Voluntary Accident, Cancer and Critical Illness insurance for employees consideration. The Colonial products do include commission which would be converted to help offset the cost of the Benefit Connector system.

Post 65 Medicare Advantage Programs, IPS received did not receive a proposal for Post-65 Medicare Advantage programs due to participation and/or funding requirements. The City still maintains the option to implement the Public Employee Benefits Alliance Post-65 Medicare alternatives. These can be implemented at any time and offered on a voluntary basis to retirees.

5. **CONDUCT A WORK SESSION OF THE CITY COUNCIL TO RECEIVE INFORMATION CONCERNING AGENDA ITEMS APPEARING ON THE MEETING AGENDA FOR THE AUGUST 8, 2017 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 9:04 p.m. Mayor Hallisey said, there being no further business this meeting is adjourned.

PAT HALLISEY
MAYOR

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: