

CITY OF POCA TELLO CITY COUNCIL BUDGET DEVELOPMENT MEETING

March 8, 2018 · Immediately Following the Study Session
City Council Chambers

City Hall is accessible to persons with disabilities. Program access accommodations can be provided upon three (3) days' notice by contacting Dave Hunt at 208-234-6248 or 5815 South 5th Avenue, Pocatello.

1. ROLL CALL

2. FISCAL YEAR 2019 BUDGET DEVELOPMENT ITEMS

Joyce Stroschein, Chief Financial Officer, will give a presentation/breakdown of Fiscal Year 2019 budget items.

Documents:

BUDGET-DEVELOPMENT.PDF
HEALTH-BENEFITS.PDF

3. ADJOURN



Budget Development

March 8, 2018

- * Update on Cable Franchise Fees, Funds 955 and 962
- * Inter-fund Fuel Rates
- * 100% Fee Supported Funds (Rate Study)
- * Compensation and Benefits

* Agenda

- * Funds were generated by old housing loan repayments and ISU Research Park repayments.
- * Council has the discretion to determine how these funds are spent.
- * The intent by the Planning Department was to use these monies should CDBG not receive federal funding. Their program year goes from April 1 - March 31.

* Fund 955 CDR Loan
Trust

- * This Fund was established after the closeout of the State administered CDBG grant.
- * The Council has the discretion to determine how these monies are spent.
- * The Façade Loan Fund was created for property owners in the Business Improvement District and Warehouse Historic District to assist with improvements to the exterior of their buildings. There is a provision for small grants for signs and awnings.

* Fund 962 Façade Loan Trust

- * The Cable Franchise Fee revenue was established by State Code 50-3003 and 50-3007
- * Chapter 30 - Idaho Video Service Act
- * The franchise revenue received by the City is for right of way (ROW) access for the cable lines.
- * The Council has the discretion to determine how these funds are spent.

* Video Services Cable Franchise Fee Revenue

* Fuel Rates FY 2018

* Diesel \$2.50 per gallon

* Unleaded \$2.80 per gallon

* Fuel Rates FY 2019

* Diesel \$2.70 per gallon

* Unleaded \$2.80 per gallon

* Budget Guidance needed for proposed rates

* Fuel Rates FY2018 vs
FY 2019

* Calculated Rates and Budget Amounts

- * The Street departments provides usage in gallons and cost amounts for all departments for the year March 2017 thru February 2018.
- * Finance calculates the average fuel rate for this period and increases this rate by 20% (administration and equivalent to fuel tax) for both diesel and gasoline. We are looking at a fuel site maintenance charge, but the additional cost will be managed within the projected price per gallon.
- * Departments can make a request for additional inter-fund fuel expense during their budget presentation

* **Fuel Rates FY2018 vs
FY 2019**

- * A 5 year rate study budget plan for fiscal years 2015,2016,2017,2018,2019 was created.
- * Fee increases for FY 2019 will be as follows:
 - * Sanitation 3%
 - * Water 4%
 - * WPC 3%
- * The increase in expenditures will be budgeted to complete expected capital projects and to meet customer demands for service.
- * Guidance needed: Instruct Utility Funds to create budget based on the rate study.

* Utility Rate Study

Description	Increase Planned	Amount
Hybrid Plan & Police Plan	1 Step Move	\$621,252
Fire & Ambulance	1% COLA	\$84,955
Part Time Pay Scale	1.5% Increase	\$30,729
Medical Insurance(exclude Fire)	11.97% Increase	\$663,237
Total Projected Increase		\$1,400,173

Fire Medical is not budgeted within projections and will be evaluated separately. The Hybrid Plan, Police Plan, Fire/Ambulance plan projections includes the required rank/certification increases. Worker's compensation rates are not available yet so there is a potential increase due to a change in rates.

* Compensation and Benefits Projected

- * April 6th Budget Development Meeting
 - * Education Benefit Plan
 - * Guidance on presented items

* Budget Development Schedule



*Questions?

The background features a green-to-white gradient with a pattern of white, semi-transparent hexagonal shapes of varying sizes and opacities, creating a modern, abstract aesthetic.


FY2019 Health Benefits
City of Pocatello ~ Human Resources

Guidance for Budget Build

1. Carrier
2. Plan Design
3. Retiree Health Benefits
4. VEBA

Summary of FY2017

to understand why we are looking at a double
digit increase we need to look at our numbers
for FY2017



UNDERSTANDING FY2017

In FY2017 for every dollar we paid Aetna they paid out \$106.10 in costs

Subscribers	Members	Monthly Premium	Total Medical Claims	Total RX Claims	TOTAL CLAIMS	PREMIUM - COST	COST vs PREMIUM
550	1,560	\$566,959.57	\$324,406.33	\$142,843.58	\$467,249.91	\$99,709.66	82.41%
552	1,565	\$569,037.38	\$343,968.64	\$135,434.01	\$479,402.65	\$89,634.73	84.25%
558	1,572	\$574,552.23	\$386,506.76	\$102,336.18	\$488,842.94	\$85,709.29	85.08%
552	1,567	\$568,387.14	\$396,996.84	\$148,502.41	\$545,499.25	\$22,887.89	95.97%
560	1,583	\$578,057.62	\$432,850.51	\$185,482.06	\$618,332.57	(\$40,274.95)	106.97%
556	1,580	\$576,043.32	\$476,674.15	\$148,662.54	\$625,336.69	(\$49,293.37)	108.56%
552	1,566	\$568,445.88	\$460,252.12	\$159,810.19	\$620,062.31	(\$51,616.43)	109.08%
556	1,584	\$577,818.15	\$462,200.00	\$175,135.53	\$637,335.53	(\$59,517.38)	110.30%
557	1,577	\$575,432.28	\$507,770.96	\$170,745.56	\$678,516.52	(\$103,084.24)	117.91%
556	1,577	\$576,043.42	\$530,228.75	\$163,332.11	\$693,560.86	(\$117,517.44)	120.40%
556	1,577	\$575,618.01	\$540,340.64	\$168,770.26	\$709,110.90	(\$133,492.89)	123.19%
553	1,562	\$570,968.55	\$551,936.12	\$181,822.90	\$733,759.02	(\$162,790.47)	128.51%
555	1,573	\$6,877,363.55	\$5,414,131.82	\$1,882,877.33	\$7,297,009.15	(\$419,645.60)	106.10%

FY2017 Key Metrics to Know

*numbers provided by Aetna

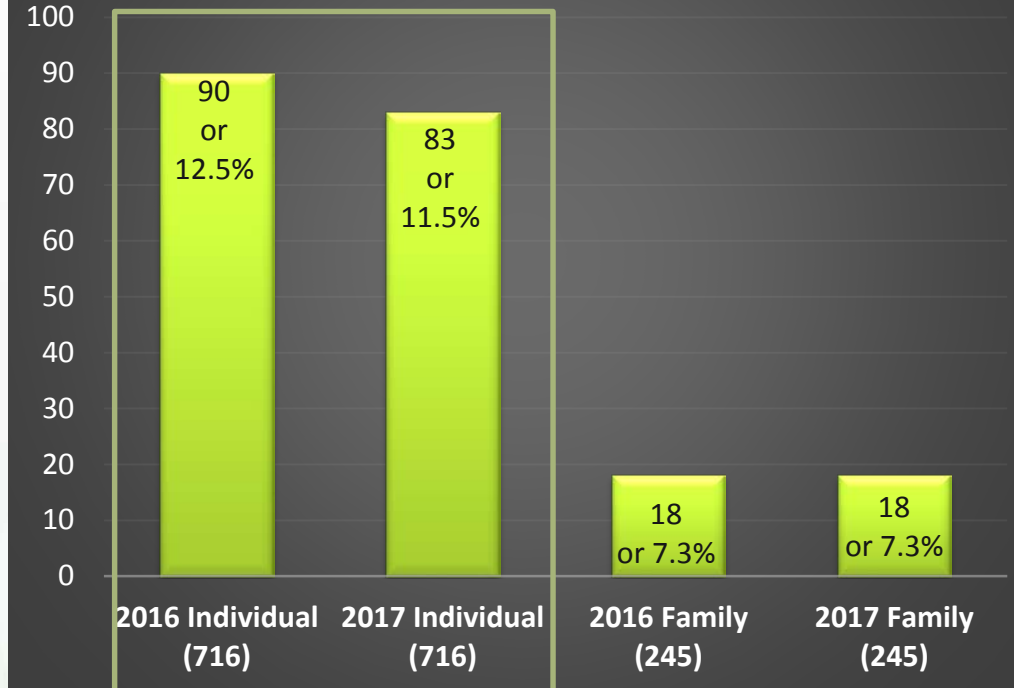
01

Deductibles Met

Calendar Year 2016:
90 x \$2,000 = \$180,000
18 x \$4,000 = \$ 72,000
\$252,000

Calendar Year 2017:
83 x \$2,000 = \$166,000
18 x \$4,000 = \$ 72,000
\$238,000

Deductibles Met for 2016 and 2017



In-Network: Individual \$2,000 / Family \$4,000. Out-of-Network: Individual \$2,000 / Family \$4,000.

FY2017 Key Metrics to Know

02

VEBA paid out the 1st Pay of the Fiscal Year

FY16 1st pay: \$860,000

FY17 1st pay: \$828,000

*These numbers do not count the \$500 Wellness Exam contributions for police and general employees, or for employees who are hired after the 1st pay period of the fiscal year

Rather than buy down deductibles the City of Pocatello has wonderfully given its employees the benefit of VEBA. If the City were to move to a more traditional buy down approach quick numbers show:

FY2016: \$860,000 (VEBA) - \$180,000 (deductibles met)= \$680,000 difference

FY2017: \$828,000 (VEBA) - \$166,000 (deductibles met)= \$662,000 difference

Human Resources fully supports the VEBA benefit and encourages Council to continue this benefit to employees.

FY2017 Key Metrics to Know

*numbers provided by Aetna

03

Out of Pocket Max

Out of Pocket Max

Calendar Year 2016:

29 x \$4,000 = \$116,000

5 x \$8,000 = \$ 40,000

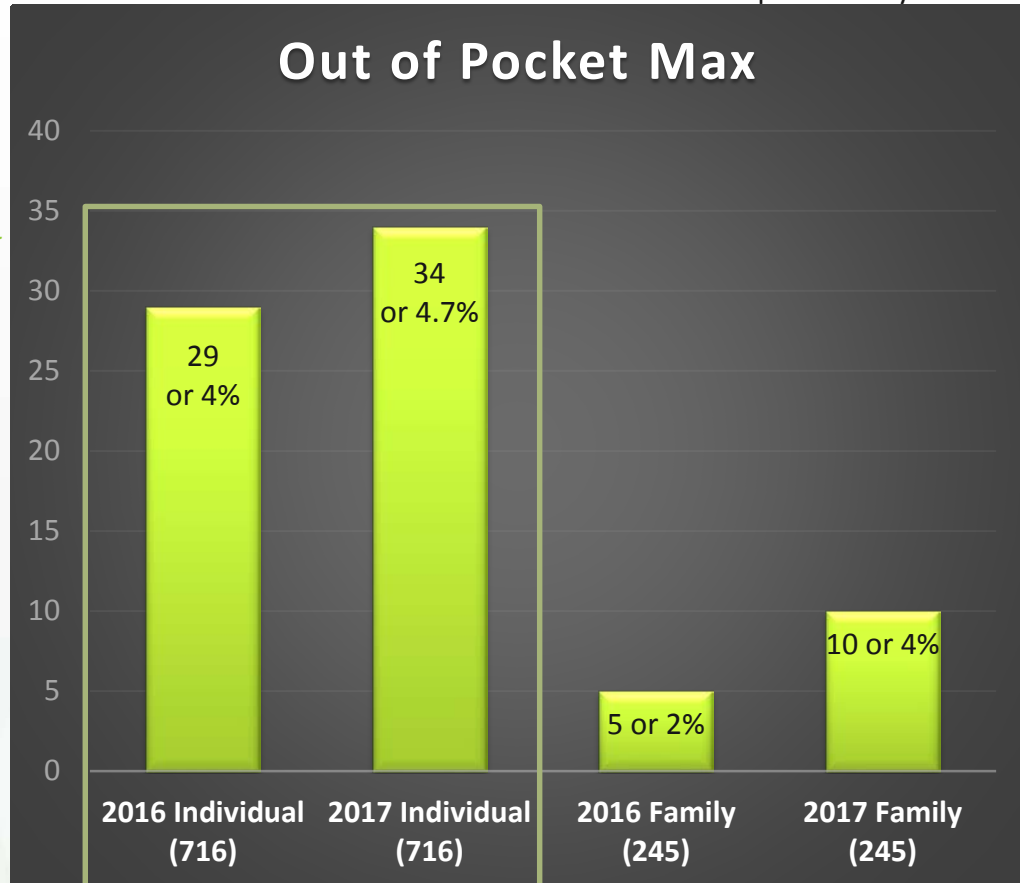
\$156,000

Calendar Year 2017:

34 x \$4,000 = \$136,000

10 x \$8,000 = \$ 80,000

\$216,000



In-Network: Individual \$4,000 / Family \$8,000. Out-of-Network: Individual \$4,000 / Family \$8,000.

FY2017 Key Metrics to Know

*numbers provided by Aetna

04

Emergency Room Visits

*We had 50 unnecessary
emergency room visits in FY2017*

05

Prescription (Rx) Costs

*FY2017: 25.80% of our health plan costs
were prescriptions*

*The Leavitt Group is implementing their
Deerwalk Review process which will
review high cost items and look at
alternative options that decrease costs
but not affect the employee's treatments*

FY2019 OPTIONS

1. Carrier
2. Plan Design

~~Aetna and Pacific Source~~

HR is recommending that the proposals from Aetna and Pacific Source be removed from consideration due to lack of market share and ability to leverage large discounts due to a small presence in the region.

~~Regence Blue Shield~~

Regence came in with better initial numbers than Aetna and has worked with the Leavitt Group on getting our costs down, but they are not the recommendation of the HR team.

Blue Cross of Idaho

Blue Cross is the HR team's recommendation. With a large market share and the ability to leverage bigger discounts with local medical providers we feel they are the best option for where we are today.

Additionally HR has worked with the Leavitt group to make some changes to our current medical plan to keep costs as low as possible and meet the needs of employees.

Recommendation Blue Cross M10 Option 2

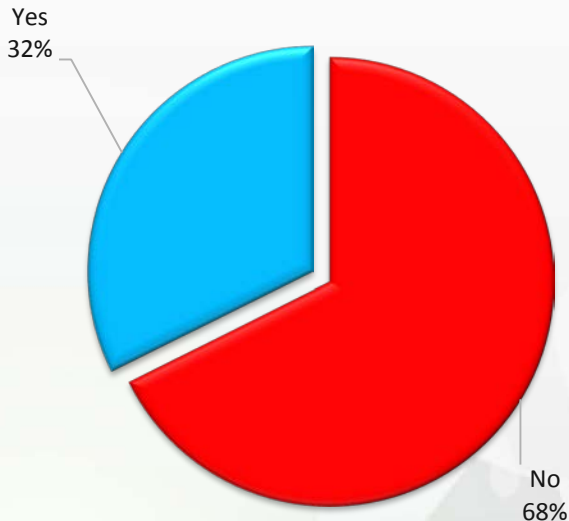
	Proposed	Current
Deductible	\$2,500	\$2,000
Deductible max	2 per family	2 per family
Coinsurance	20%/40%	20%/40%
Out-of-Pocket Individual	\$4,500	\$4,000
Out-of-Pocket Family	\$9,000	\$8,000
Physician Co-Pay	\$25/\$50	\$25/\$50
Prescription Retail	\$10/\$30/\$50/ \$150/\$250	\$10/\$30/\$50
Max Rx Out of Pocket	\$1000/\$2000	Ded/Coins
Rx Refills	30 day supply	34 day supply or 100 units, whichever is greater
Emergency Room	\$250 co-pay that is waived if admitted	\$100 co-pay

City of Pocatello 2018-2019 Renewal

		FY2018	Aetna Renewal		Blue Cross PPO M1 Option 1		Blue Cross PPO M10 Option 2		Blue Cross PPO M12 Option 3	
Deductible		\$2,000	\$2,000		\$2,000		\$2,500		\$2,500	
Deductible max		2 per family	2 per family		2 per family		2 per family		2 per family	
Coinsurance		20%/40%	20%/40%		20%/40%		20%/40%		20%/40%	
Out-of-Pocket Individual		\$4,000	\$4,000		\$4,000		\$4,500		\$4,500	
Out-of-Pocket Family		\$8,000	\$8,000		\$8,000		\$9,000		\$9,000	
Physician Co-Pay		\$25/\$50	\$25/\$50		\$25/\$50		\$25/\$50		\$25/\$50	
Prescription Retail		\$10/\$30/\$50	\$10/\$30/\$50		\$10/\$30/\$50		\$10/\$30/\$50/\$150/\$250		\$10/\$30/\$50/ 20%/30%	
Max Rx Out of Pocket		Ded/Coins	Ded/Coins		Ded/Coins		\$1000/\$2000		Ded/Coins	
Employee	119	\$547.57	\$706.36		\$684.82		\$613.12		\$650.88	
Employee & Spouse	75	\$1,144.42	\$1,476.30		\$1,431.28		\$1,281.41		\$1,360.35	
Employee +1 Child	21	\$958.25	\$1,236.14		\$1,198.44		\$1,072.95		\$1,139.05	
Employee +2+ Children	20	\$1,369.92	\$1,765.91		\$1,712.05		\$1,532.78		\$1,627.20	
Family	185	\$1,620.81	\$2,090.84		\$2,027.08		\$1,814.83		\$1,926.63	
Monthly Total	420	\$498,363.83	\$642,861.88		\$623,257.62		\$557,998.13		\$592,371.57	
Annual Total		\$5,980,365.96	\$7,714,342.56		\$7,479,091.44		\$6,695,977.56		\$7,108,458.84	
Increase in Dollars			\$1,733,976.60		\$1,498,725.48		\$715,611.60		\$1,128,092.88	
Increase Percentage			28.99%		25.06%		11.97%		18.86%	
Employee's Premium										
Employee	119	\$27.38	\$35.32	\$7.94	\$34.24	\$6.86	\$30.66	\$3.28	\$32.54	\$5.16
Employee & Spouse	75	\$114.44	\$147.63	\$33.19	\$143.13	\$28.69	\$128.14	\$13.70	\$136.04	\$21.60
Employee +1 Child	21	\$95.82	\$123.61	\$27.79	\$119.84	\$24.02	\$107.30	\$11.48	\$113.91	\$18.09
Employee +2+ Children	20	\$205.34	\$264.89	\$59.55	\$256.81	\$51.47	\$229.92	\$24.58	\$244.08	\$38.74
Family	185	\$243.12	\$313.63	\$70.51	\$304.06	\$60.94	\$272.22	\$29.10	\$288.99	\$45.87
Employees' Payroll Contribution		\$62,937.44	\$81,189.53		\$78,713.62		\$70,471.71		\$74,812.95	
Difference			\$18,252.09		\$15,776.18		\$7,534.27		\$11,875.51	
Employees' Annual Contribution		\$755,249.28	\$974,274.31		\$944,563.48		\$845,660.48		\$897,755.38	
Difference			\$219,025.03		\$189,314.20		\$90,411.20		\$142,506.10	
City's Annual Contribution		\$5,225,116.68	\$6,740,068.25		\$6,534,527.96		\$5,850,317.08		\$6,210,703.46	
Difference			\$1,514,951.57		\$1,309,411.28		\$625,200.40		\$985,586.78	

Employee Views

Employees Interested in a Higher Deductible Plan with lower monthly premiums



Employees self identified top 3 areas of importance

	#1	#2	#3
Medical Insurance	82	33	15
Pay Raises	50	36	22
Vacation, Sick and Holiday Pay	9	30	37
Access to Retiree Medical Insurance	6	2	9
VEBA	5	25	26
Vision Insurance	2	2	13
Life Insurance	2	1	4
Employee Assistance Program (EAP)	1	3	0
Dental Insurance	0	18	26

(159 employees answered)

Guidance #1 & 2: Carrier and Plan Structure

- Carrier?
- Plan Structure?



FY2019 Additional Recommendations

3. Retiree Health Benefits
4. VEBA

Retirees on the City of Pocatello Health Plan

Other Postemployment Benefits - OPEB

Other Postemployment Benefits (or OPEB) are benefits (other than pensions) that U.S. state and local governments provide to their retired employees, so the retirees on the City of Pocatello health benefits plan are considered to have OPEB.

When OPEB is offered financial reporting is required per our audit and that report comes with a reporting cost of around \$12,000 a year, the City of Pocatello is currently covering this cost along with the \$2,780 (estimated 40 hours of work) for personnel.

Retirees on the City of Pocatello Health Plan continued ~ 2

Other Postemployment Benefits - OPEB

HR is recommending the individuals on the plan pay the **actual cost** of the benefit offered to them. A reassessment of the distribution cost to retirees would be evaluated monthly/quarterly by Finance.

Participants	Report Cost	Individual Cost
36 individuals	\$12,000 a year \$1,000 a month	$\$12000/36 = \334 a year $\$334/12 = \28 a month

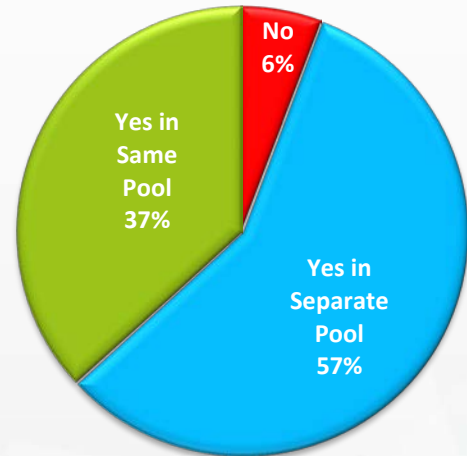
**Additionally the retirees also pay a \$10 a month administration fee that would continue

The City would continue to cover the cost of personnel involved in generating and filing the report.

Retirees on the City of Pocatello Health Plan continued ~ 3

Other Postemployment Benefits - OPEB

- In our RFP we did ask for costs for retirees rated in their own pool. We received information from Aetna, but it only addressed the cost to Active employees and did not present a cost to what retirees would be paying on a small group plan.



From the Benefit Survey completed 164 employees felt we should continue to offer retirees health insurance with 10 against it. 64 of those employee felt they should be in the same pool as active employees. 100 felt they should be in their own pool.

Guidance #3: Retiree's Health Insurance

- Okay with them on our plan?
 - Reporting Cost?
- 

Employees and VEBA

- Currently employees are only eligible to participate in VEBA if they are a participant in the City of Pocatello Medical Benefits plan.
 - Each participating employee gets \$1500 on the first pay of the fiscal year and \$500 after they submit their wellness exam form signed by their physician.

VEBA FY2019 recommendation

1) We would like to move the Wellness Exam to \$700

2) We would like to move the adjusted \$1,300 lump sum to a per pay check distribution for 2 reasons.

A) VEBA is the City's effort to offset the cost of the deductible, most employees do not hit their deductible the first pay period in October

B) it would eliminate paying the entire year amount to people who leave employment

When presented to Department Heads and Managers this was a very unpopular item

VEBA FY2019 recommendation

page 2

3) Any full time employee who is **eligible** for the City of Pocatello group health insurance would be given \$1300 in VEBA. (half time = \$650)

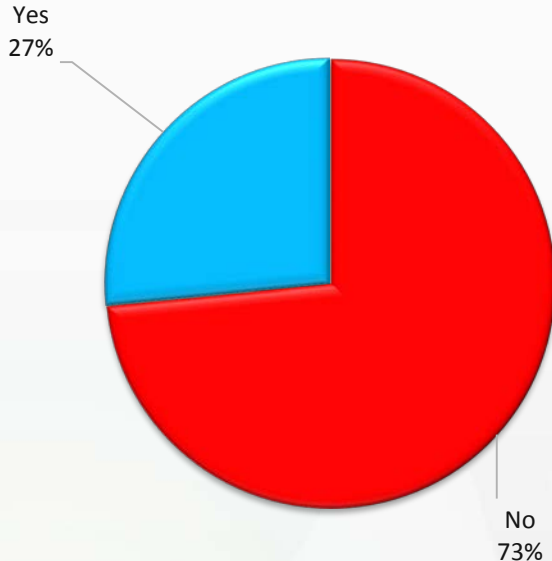
- An employee would either need to be a participant of the plan
- OR the employee would be required to in writing decline the City's coverage and provide **PROOF** of other qualified **GROUP** health insurance coverage.
- This would be an increased potential cost with more employees being eligible for VEBA under this plan.

VEBA Opt Out Benefit

	Monthly	Yearly	VEBA	Total	City Savings
Employee Only	\$30.75	\$368.98	\$2,000	\$1671.44	
City Portion of Employee Only	\$520.19	\$6,242.28	\$2,000	\$8,242.28	\$6,242.28 Employee Only SAVINGS

Rough Numbers: 457 total FT or HT employees – 434 on benefits = 23 benefit eligible employees not on benefits (this does not take into account employees who are covered under their spouse who also works for the City.) This is an estimate of $23 \times \$2,000 = \$46,000$ increase in VEBA. That means we would need 8 employees enrolled at an Employee Only level to opt out of insurance to see a reduction in spending.


Employee Information



On the Health Benefits Survey we had 51 out of 192 participants say they were eligible for medical insurance through other resources (i.e spouse or parent).

This does not guarantee that 51 people would opt out of our plan.

Guidance #4: VEBA

- 1) Change in lump sum to per pay check?
 - 2) Wellness increase from \$500 to \$700?
 - 3) Offer to all benefit eligible employees?
- 

Guidance for Budget Build

1. Carrier **HR: Blue Cross**
2. Plan Design **HR: Blue Cross \$2,500/\$5,000
\$250 emergency room , 6 tier
Rx, with Rx max out of pocket**
3. Retiree Health Benefits **HR: retiree stay with
pool, retirees cover reporting costs**
4. VEBA **HR: 1) Move to per paycheck
contribution, 2) \$700 Wellness Exam,
3) All benefit eligible employees would
receive the monthly VEBA**

Questions & Answers



*Do You Have
Any Questions?*

Thank You

FY2019 Health Benefits
City of Pocatello ~ Human Resources