

**THE REGULAR MEETING
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD JUNE 8, 2015 AT 7:00 P.M.
AT CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA**

CALL TO ORDER:

Mayor King called the meeting to order at 7:02 p.m. with the Pledge of Allegiance.

ROLL CALL:

Present were: Mayor Toney D. King, Sr., Councilmembers Pat Boyle, Jeff Cook, Joe Konrad, David Lambert and Chris Moncada. Absent was: Vice Mayor Lori McGoffin.

EMPLOYEE RECOGNITION: None

PROCLAMATION:

Mayor King read a proclamation of the Mayor and Council declaring the Month of August “Drowning Impact Awareness Month.”

PUBLIC HEARING: None

CALL TO THE PUBLIC:

Denice Williams, Union Street, Benson, addressed the Council regarding the City pool. Ms. Williams stated she would like to swim; however, the water is too cold for her, adding the kids are fine in the water, but older adults need it warmer. Ms. Williams then stated she was hoping a heater could be installed, adding she spoke to a lifeguard at the pool who said she had found a heater and it would cost \$5,000 and would need Council approval. Ms. Williams then spoke about older people needing to move and the best exercise was working out in the pool. Ms. Williams then stated she didn’t know how many older adults would use the pool if the water was warmer, but a few would and asked the Council to consider installing a heater.

Donald Buchanan, River Road, St. David, addressed the Council concerning the proposed development, “The Villages at Vigneto” and his concerns and suggestions regarding water use issues related to the development. Mr. Buchanan submitted his comments in writing, which will be retained with the Council packet.

Kay Daggett, Foothill Drive, Benson, addressed Council about the strategic plan, adding she thinks it is necessary and she understood most of Council was in favor of updating or creating a strategic plan. Ms. Daggett then stated a strategic plan would be very helpful for the City Manager to get the correct structure needed for proper City government that follows municipal best practices. Ms. Daggett then stated she looked back to previous City Managers, adding she did not want to discount any Interim City Manager, but the City has not had a City Manager trained in City Management since the 2004-2006 timeframe, adding that City Manager is actually the person who started the first strategic plan. Ms. Daggett then stated City Managers, including the current City Manager, know how important the plan is to help get systems, the organization and an organizational chart in place and then strategically plan. Ms. Daggett then stated the recent increase in the sales tax rate of 1% will sunset in July, 2022, which is some time away, but more urgently, within 40 months, .5% of the current sales tax rate will sunset in October of 2018, adding it takes proper planning to be ready for that, which can be developed in the strategic plan. Ms. Daggett then asked the Council not to leave the strategic plan for new Councilmembers, who don’t know what’s been happening and asked the Council to follow a strategic plan and update it every year, adding the plan is a roadmap for Benson’s success and as the saying goes, someone doesn’t plan to fail; they fail to plan. Ms. Daggett then stated she knows during the recent financial situation, the Council furloughed employees and there was talk of letting them go and that they were overpaid. Ms. Daggett then stated she had mentioned to most Councilmembers that the League of Arizona Cities & Towns conducts an annual salary and benefit survey and that at first glance it appeared that almost every employee should receive a raise because they were underpaid according to the average salary. Ms. Daggett then stated she now had statistics she would share

with the City Manager regarding those salaries and how Benson compares to 33 other communities ranging in population from 2,000 to 9,999. Ms. Daggett then stated she would share this information until her time ran out and then could go through it with individual Councilmembers if they wanted her to. Ms. Daggett stated cities have benchmark positions, which are some positions that all communities have, adding the Council needs to bear in mind that not all communities have the utilities the City of Benson provides, noting some cities don't provide water and/or gas, which dictate which positions a City needs. Ms. Daggett then stated 32 of the 33 municipalities have City Managers, adding Tombstone, which has less population, doesn't have a City Manager, but relies solely on the services of the City Clerk. Ms. Daggett then stated of the 32 other communities, the average City Manager's salary was \$99,855 and Benson is lower at \$89,898. Ms. Daggett then stated of the 33 communities, 29 have City Clerks with an average salary of \$59,380, adding the Benson City Clerk is paid below average. Ms. Daggett then continued stating 27 of the 33 communities have a Police Chief with an average salary of \$78,356 and Benson's salary for the Police Chief falls below at a salary of \$72,100. Ms. Daggett then saw her time ran out and stated she has more, but her point was that most of Benson's salaries are lower than the average salaries. Ms. Daggett then stated she was glad the benefits were going to be discussed tonight.

CITY MANAGER REPORT:

City Manager William Stephens addressed Council, giving the dates of upcoming meetings and events.

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| Tuesday, June 9, 2015 | – Library Advisory Board, 4:00 p.m., City Library – CANCELLED |
| Thursday, June 18, 2015 | – City Council Special Meeting, 7:00 p.m., City Hall |
| Monday, June 22, 2015 | – City Council Meeting, 7:00 p.m., City Hall |
| Tuesday, June 23, 2015 | – Community Watershed Alliance, 6:30 p.m., City Hall |
| Friday, June 12, 2015 | – Movie in the Park, “Maleficent” (rated PG), Lions Park Soccer Field @ dusk (7:00 p.m.) ****Free Admission**** Sponsored by: City of Benson, Cox Communications, Cerendipitees and Wal-Mart |
| Saturday, July 4, 2015 | – Benson's Annual 4th of July Celebration. Festivities begin at 9:00 a.m. with the parade and will run all day long at Lions Park, ending with the City's Fireworks show beginning at 8:30 p.m. Go to www.cityofbenison.com for the full schedule of events |

Mayor King stated the Relay for Life would be held on June 13. Mayor King then stated he has been to the movie in the park and it's very enjoyable, asking those present to let others know about it.

NEW BUSINESS:

1. Discussion and possible action on the Consent Agenda

- 1a. Minutes of the April 13, 2015 Regular Meeting
- 1b. Minutes of the April 20, 2015 Worksession
- 1c. Minutes of the April 27, 2015 Regular Meeting
- 1d. Resignation of Mazie McMillan from the Benson Library Advisory Board
- 1e. Resignation of Terry LaDuke from the Benson Planning & Zoning Commission
- 1f. Invoices processed for the period from April 30, 2015 through May 15, 2015
- 1g. Invoices processed for the period from May 16, 2015 through May 28, 2015

Councilmember Moncada moved to approve the Consent Agenda. Seconded by Councilmember Konrad. Motion passed 6-0.

2. Discussion and possible action regarding Resolution 17-2015 of the Mayor and Council of the City of Benson, Arizona, recommending approval of the Acquisition of Control of the Liquor License at Safeway, 599 W. 4th Street, Benson, Arizona

City Clerk Vicki Vivian addressed Council stating Safeway has applied for an acquisition of control of the liquor

license, adding procedures have been followed according to ARS §4-201 and §4-203(F), with no written arguments in favor of or opposed to the issuance of the license being received. Ms. Vivian then stated the next step is for the governing body of the City to enter an order recommending approval or disapproval, which must be done within sixty days after filing of the application. Ms. Vivian then stated the reason for the application is a merger between Safeway and Saturn Acquisition Merger Sub, Inc. Ms. Vivian then stated once the Council makes a recommendation, she will forward the proper documents to the Arizona Department of Liquor Licenses & Control. Councilmember Moncada moved to approve Resolution 17-2015. Seconded by Councilmember Lambert. Motion passed 6-0.

3. **Discussion and possible action regarding Resolution 18-2015 of the Mayor and Council of the City of Benson, Arizona, approving a Special Event Liquor License for Grace Chapel for July 4, 2015 at Frontier Fitness Club & Spa, 496 N. Ocotillo Road, Benson, Arizona**

City Clerk Vicki Vivian stated Grace Chapel has applied for a Special Event Liquor License which “allows a charitable, civic, fraternal, political or religious organization to sell and serve spirituous liquor for consumption only on the premises where the spirituous liquor is sold, and only for the period authorized on the license.” Ms. Vivian stated as per ARS §4-203.02, the application is sent to the Arizona Department of Liquor Licenses & Control, where the director may “subject to the approval of...the governing body of a city or town...” issue the license on a temporary basis. Ms. Vivian then stated that it is further stipulated that qualifying organizations will be granted a special event license for no more than ten (10) days in a calendar year and a special event may be held for more than one (1) day, but it must be held on consecutive days and at the same location, or additional licenses will be required. Ms. Vivian then noted that if this item is approved, this will be the first special event held in 2015 for Grace Chapel, who is requesting the permit for a fundraiser to be held at Frontier Fitness Club & Spa on Saturday, July 4, 2015 from 1:00 p.m. to 9:00 p.m.

Councilmember Lambert asked if anyone was present from Grace Chapel with Mr. Richard Cortez stating he was. Mr. Cortez then addressed Council stating he was the owner of Frontier Fitness and was going to have a special event with vendors and food vendors, adding Grace Chapel was his choice for a charitable event so there could be a beer garden. Councilmember Lambert asked Mr. Cortez if he was a member of the Grace Chapel church with Mr. Cortez stating he was. Councilmember Lambert then stated Section 10 of the application requested the applicant to list all people who will receive the proceeds and to account for 100%, but the application only has 25% accounted for with Mr. Cortez apologizing and stating that 25% of the proceeds will go to Grace Chapel and 75% will go to Frontier Fitness.

Councilmember Moncada then moved to approve Resolution 18-2015. Seconded by Mayor King. Motion passed 4-2 with Councilmembers Boyle and Lambert voting nay.

4. **Discussion and possible action regarding Independent Contractor’s Agreements for Consulting Engineering Services on an As-Needed Basis**

- 4a. Independent Contractor’s Agreement with Psomas for Consulting Engineering Services on an As-Needed Basis
- 4b. Independent Contractor’s Agreement with Kimley-Horn and Associates, Inc. for Consulting Engineering Services on an As-Needed Basis
- 4c. Independent Contractor’s Agreement with Souder, Miller and Associates, Inc. (SMA) for Consulting Engineering Services on an As-Needed Basis
- 4d. Independent Contractor’s Agreement with the WLB Group for Consulting Engineering Services on an As-Needed Basis
- 4e. Independent Contractor’s Agreement with Engineering and Environmental Consults, Inc. (eec) for Consulting Engineering Services on an As-Needed Basis
- 4f. Independent Contractor’s Agreement with Stantec Consulting Services, Inc. for Consulting Engineering Services on an As-Needed Basis

Public Works Director Brad Hamilton stated in January of this year the Public Works Department released a Request for Qualifications (RFQ) for On Call Engineering Services, adding 17 responses or Statements of Qualifications (SOQ) were received. Mr. Hamilton then stated he had a committee consisting of 3 professional engineers from Cochise County and Southeast Arizona Economic Development Group Director George Scott

review and grade the responses. Mr. Hamilton then stated he then reviewed the ranking and thought the committee did a good job, adding the Council now has the top 6 recommendations before them for action.

Mayor King asked Mr. Hamilton to explain why the City is entering into these contracts with Mr. Hamilton stating the City had 4 similar contracts in place which expired and new contracts need to be in place in anticipation of the proposed development project by El Dorado.

Councilmember Konrad wanted to clarify that these are contracted services that will only be used on as-needed basis with Mr. Hamilton confirming that Councilmember Konrad was correct. Councilmember Konrad stated of the 6 proposed firms, 1 may have expertise in environmental issues and someone else may have expertise in infrastructure, adding this is why the City is looking at contracts for all 6 firms, noting the City could then choose which firm to use depending on the issues. Councilmember Konrad then noted that these services will only be used if needed, on an hourly basis. Mr. Hamilton verified this and then stated that the bulk use of these contracts would be for development review, which is charged to the developers.

Councilmember Boyle stated he was obligated to ask why the City would consider contracting these services, since he has heard comments from public regarding salaries and payroll and the fact that the City has an in-house engineer with Mr. Hamilton stating the City has 1 in-house engineer, adding if the Council looks at the teams these firms put together, they can see that each firm has 5 or 6 people on their teams that includes engineers, drafters and engineers in training. Mr. Hamilton then stated the City isn't big enough to justify having that many people on staff. Mr. Hamilton then stated another reason to contract these services is that they process a lot of development work and stay current on development issues. Mayor King then noted that the City Engineer also has many other jobs and many people don't understand that. Mr. Hamilton then stated another reason to contract these services is that the process consists of plans being submitted by engineers who work for the developer; the City's consultants then review the plans, adding when a decision has to be made by the City, he can make that call autonomously, which is a better process.

City Attorney Gary Cohen then addressed Council stating as the City's lawyer, he is to assist with risk management on behalf of the City, adding on certain large ticket items, if a mistake is made, the exposure to the City is huge, but contracting to have outside consultants process the development review also results in the consultant taking on the risk if something goes wrong. Mr. Cohen then stated from his view there is value in that, adding that is not necessarily the reason the City contracts these services, but he wanted to add that from a legal perspective, these contracts have value. Councilmember Boyle thanked Mr. Hamilton and Mr. Cohen and stated he was obligated to ask. Mr. Hamilton then stated a lot of larger cities still contract this service out.

Councilmember Cook stated just like with a Community Facilities District, those districts would shoulder the cost burden of the development and infrastructure, adding the cost of these contracts would be billed back to the developer and that he wanted Mr. Hamilton to verify that 100% of the cost of these services would, indeed, be billed back to the developer. Mr. Hamilton then stated the standard process is to bill the developer, adding about 75% of the fee goes to consultant and 25% goes to the City for Staff services, such as the engineering aide tracking those submittals.

Councilmember Cook then stated the Council has had some good suggestions on water use and recycling, and asked if those are things the Council can require the developer to do. Mr. Hamilton stated the developer has been working on conservation and recycling efforts that have come along with Councilmember Cook stating it sounded like the developer was not opposed to that. Mr. Hamilton then stated the developer is not opposed to it, but it might end up different than what has been suggested.

Councilmember Lambert asked if the Council could make 1 motion or if approving 6 contracts required 6 motions with Mr. Cohen stating in essence, the agreements are the same agreement with 6 different firms, adding they are not different in any material way and the Council could act on all the contracts in 1 motion, if they chose to do so.

Councilmember Lambert then moved to approve the agreements for Consulting Engineering Services on an As-Needed Basis with the 6 listed businesses; 4a through 4f. Seconded by Councilmember Boyle. Motion passed 6-0.

5. **Discussion and possible action regarding the financial request from the San Pedro Valley Alliance Summer Programs**

Mayor King stated a representative of the San Pedro Valley Alliance Summer Programs was in attendance and asked her to come forward. Ms. Nona Hanson then addressed the Council stating the program has been in existence for 25 or 26 year and she has been involved with it for 22 years, adding the program provides wholesome chaperoned activities for children. Mayor King stated the previous budgets contained \$4,000 for this program, but due to financial conditions, it was removed from the budget and asked City Manager William Stephens if there was available funding in the budget. Mr. Stephens stated there was funding available in the budget, adding the concern is a legal one.

Councilmember Konrad then moved to enter into an Executive Session with the Mayor and Council, the City Manager, the City Attorney and the City Clerk at 7:40 for legal advice. City Attorney Gary Cohen asked Councilmember Konrad if he would consider amending his motion to include 2 members of his firm who were in attendance in an observatory capacity, adding they are an extension of the City's legal counsel. Councilmember Konrad then amended his motion to include Mr. Cohen's 2 associates. Seconded by Councilmember Boyle. Motion passed 5-1 with Councilmember Moncada voting nay.

Council reconvened at 8:02 p.m.

Councilmember Lambert asked how many children benefit from this program with Ms. Hanson stating each trip varies and has anywhere from 40 to 100 children on each trip. Councilmember Lambert noted there were 8 scheduled events, adding there could be a total of 500-900 kids. Councilmember Lambert then asked if any children were turned away with Ms. Hanson stating they don't turn children away, adding parents help out and all children who want to go are accommodated. Councilmember Lambert stated this program was a great service to the community with Mayor King agreeing. Mayor King then stated he had been involved in the program for 13 years and he thinks it's a great thing for the kids in the community. Councilmember Lambert then asked Mr. Stephens about the available funding in the Community Enrichment fund with Mr. Stephens stating there was approximately \$3,100 available. Councilmember Konrad then moved to donate \$3,000 to the San Pedro Valley Alliance. Second by Councilmember Boyle. Mayor King asked if Councilmember Konrad's motion was for \$3,000 or \$3,100 with Councilmember Konrad amending his motion to donate \$3,100. Councilmember Konrad stated the amount was lower than what has been done in the past due to budget constraints. The amended motion was seconded by Councilmember Boyle. Ms. Hanson stated she appreciated the funding, adding she knows how hard the financial situation has been, noting she has friends that have been through the furloughs and she appreciates any support the program can get.

Councilmember Cook asked Ms. Hanson where other funding comes from with Ms. Hanson stating when the program first began, they received grant funding for at-risk children and they have managed to keep some of that funding in circulation every year. Ms. Hanson stated they always try to keep a little money from the previous year, adding many times they have taken children who couldn't go on scholarship type basis and it varies every year how much is left to assist with the next summer. Councilmember Cook then verified that some sources of funding the program has been a grant for at-risk children and the City. Ms. Hanson then added that the school also helps support the program by providing transportation through buses and drivers. Councilmember Cook asked if the program had any paid staff with Ms. Hanson saying some people were for liability and insurance purposes. Councilmember Lambert then commended Ms. Hanson for her 22 years of service to this program. Ms. Hanson stated she had retired, but she loves kids and is still a substitute teacher and is the academic team coach. Councilmember Cook then stated he wanted to explain his vote and stated he is completely in favor of the program, which he feels ranks up there with the Shop with a Cop program and the City's summer programs that are part of parks and recreation, adding he thinks those are very important and very worthwhile to give the youth activities to do; however, he is on both sides of the issue due to the financial situation of the City. Councilmember Cook then stated the reason that \$3,100 is available in funding is because the Council is going into the pockets of City employees, adding he doesn't feel comfortable in the current budget situation supporting the program financially. Councilmember Cook then stated next year will be in a different situation and he will be in favor of supporting the program. Motion then passed 5-1 with Councilmember Cook voting nay.

6. **Discussion and possible action regarding an Employee Benefit Advocate Service Application and Agreement with ESG (Employee Solutions Group) Corporation for insurance brokerage and administration of employee insurance related benefits**

City Manager William Stephens stated this is a renewable contract with ESG, who is the company that negotiates health benefits on behalf of the City. Mr. Stephens then stated Mr. Al Thunberg and Mr. Jon Steward were present, adding they were also before Council last year. Al Thunberg addressed Council regarding how the year went and some background on the processes they go through as part of the service they provide. Mr. Thunberg stated ESG has been involved with the City since 2007, adding the proposed service agreement is the same as prior years, with no changes. Mr. Thunberg then stated services in administration of the Health Reimbursement Account (HRA), the Flexible Spending Account (FSA) and the Cobra Administration services, as well as counseling and coaching in the selection and enrollment process. Mr. Thunberg then stated this is the 5th year they have offered the contract with no increase, adding ESG tries to remain as cost effective as they can and over the years, they have absorbed some expenses to keep the contract fee the same. Mr. Thunberg stated he would briefly address administration services and then move to the health insurance decision as a separate conversation and asked if there were any question related to the administration processes. Councilmember Moncada stated the fee for ESG is \$2,900 a month, but he sees another section that indicates a figure of \$16,200 and a fee load of 3.1%, and asked if that was in addition to the monthly amount of \$2,900. Mr. Thunberg stated there are 2 elements in the agreement, adding 1 deals with shopping for insurance products and the other is the administration services. Mr. Thunberg then stated together the broker services and the administration services total \$2,900 per month. Councilmember Moncada then stated both Aetna and Healthnet declined to quote and asked why with Mr. Thunberg stating they didn't say, but they indicated they would be non-competitive on price, adding most often this is the reason a provider declines to quote rates. Councilmember Moncada then asked about the out-of-pocket costs for employees who need to use Emergency Room services with Mr. Thunberg stating the City offers 2 plans; the PPO with an Emergency Room co-pay of \$250 and the HSA plan with no co-pay, and the expenses incurred going toward the employee's deductible. Mr. Thunberg then stated 20-25% of the employees have moved to the HSA plan, noting that plan offers other advantages, such as being a lower cost to the employee and to the City. Mr. Thunberg then stated this means if the employee is not a heavy insurance user, they save money. Mr. Thunberg then stated the City also encourages participation in the HSA by offering seed money in the employee's HSA account, and also offers a match of what the employee contributes, up to \$20.00 a month for single employees and up to \$40.00 a month for employees enrolled with dependents.

Councilmember Cook then read from the agreement that the "minimum monthly brokerage service fee is \$2,900, (and the) per participant fee over the current head count is \$40.00 per month", and asked how that applied. Mr. Thunberg stated if the City were to expand its headcount dramatically, there would be a per head addition added to the \$2,900 monthly charge. Mr. Thunberg stated most of the time, the employee count remains stable, but should the City increase employees substantially, it would result in more administration and more fees, but noted ESG has never exercised that provision. Councilmember Cook stated the City has experienced a lot of attrition and expressed concern about increasing the employee count when those positions are filled. Mr. Thunberg stated normally even though an employee leaves, there is still administration of those employee accounts that survives the employment, adding if the City were to have a permanent reduction; ESG could look at lowering the fixed fee. Council then expressed that the City would be hiring for vacant positions.

Mr. Stephens then addressed Council stating the City currently has authorized and funded positions, adding they may be vacant, but are not new positions being created and added to the existing employee count. Mr. Stephens then stated Mr. Thunberg is talking about an actual change to the employee numbers, adding if the City grows and adds additional employees beyond the currently existing positions, the monthly fee may need to be reviewed and addressed.

Councilmember Konrad noted the agreement shows there are 72 participants of 80 employees. Mr. Thunberg then stated the census of employees is what is used to bid and where the numbers in the agreement come from. Councilmember Konrad then asked if the additional charge would take effect if the employee participation increased from 72 employees with Mr. Thunberg stating if there was a substantial change, such as an increase of 10 employees, ESG would come back and look at the fees. Mr. Thunberg then stated he wasn't aware that the City was considering hiring new employees with Mr. Stephens stating the Council is referring to current vacant positions and not additional employees.

Mr. Thunberg then stated the next element of the agreement was insurance with Mr. Stephens stating there are 2 separate items on the agenda, adding this item is relative to the contract with ESG, noting Council action is required to continue the contract.

Councilmember Moncada moved to approve the Employee Benefit Advocate Service Application and Agreement with ESG (Employee Solutions Group) Corporation for insurance brokerage and administration of employee insurance related benefits. Seconded by Councilmember Lambert. Motion passed 6-0.

7. **Discussion and possible action regarding a Health Insurance contract with Blue Cross Blue Shield for the Employee Benefits for Fiscal Year 2015-2016, and authorization for the City Manager to sign the health insurance contract**

City Manager William Stephens stated Mr. Thunberg would give a presentation on health benefits offered to City employees. Mr. Thunberg stated his company went to market to obtain quotes from providers, adding every year they do this to ensure the best financial programs for the City. Mr. Thunberg stated they did speak to several carriers, and while some declined, most were substantially higher. Mr. Thunberg then stated management and employee feedback was that Blue Cross Blue Shield (BCBS) was very suitable, and employees liked the performance of that product, adding ESG's goal was to do everything they could including presenting counterbids and other offers from other carriers to try and leverage the lowest renewal rate possible for the City. Mr. Thunberg then stated after 3 or 4 weeks of negotiating, they were able to get the renewal increase down to 5.22% from their original quoted increase of 15.44%. Mr. Thunberg then stated the current negotiated renewal rate is not the lowest increase the City has ever had, but in healthcare terms, it's a very good renewal, noting a lot of insurance costs are increasing by double digits, adding even though Obamacare promised a more stable and lower-cost market, it has done exactly the reverse, which making it more expensive with challenging networks. Mr. Thunberg then stated their recommendation is for the City to remain with BCBS, adding they feel that staying gives City the ability to be loyal which will give ESG additional credence when it's time to negotiate the lowest rates possible next year. Mr. Thunberg then stated the performance of the plan has been outstanding and provides stable benefits, which employees like, again noting that a 5.22% increase is a very competitive rate relative to the marketplace.

Councilmember Konrad stated he didn't have a budget with him and asked if the increase was included in the proposed budget with Mr. Stephens stating the proposed budget included an increase of 8% so the renewal rate is well within the budgeted numbers. Councilmember Konrad then stated during budget worksessions, he had voiced concerns about the employees being charged more with Mr. Thunberg stating all the terms and provisions of the insurance contract are the same, but he believed there was still a decision pending that is relative to employee cost sharing. Councilmember Moncada stated employees with dependents will pay 45% of the increased rate but employees on the plan without any dependents won't see any increase. City Clerk Vicki Vivian then addressed Council stating she had talked to Finance Director Dustin DeSpain about how employee costs have been determined in the past, adding the City pays 100% of the employee cost and the cost of dependents coverage is split between the City and the employee. Ms. Vivian then stated over the years, the employee contribution rates has varied between 40% and 45%, but there was a time when the City didn't absorb the entire increase, adding this was due to employees' retirement contributions climbing and other higher employee charges as well as employees not receiving any Cost of Living Adjustments and no merit raises. Ms. Vivian then stated she knew Mr. DeSpain is going to meet with Mr. Stephens to discuss splitting the increase between the employees and the City or if the increase should be paid for by the City. Ms. Vivian then stated the proposed budget includes an 8% increase, therefore if the City does absorb the entire increase, it would fall well within the proposed budgeted amount.

Councilmember Moncada asked about what drives increases in rates with Mr. Thunberg stating there are a number of variables that go into the renewal every year, such as changes in demographic group like age and mix, other things that are outside of anyone's control such as general health cost trends, noting there is a trend factor used in provider's evaluation. Mr. Thunberg then stated the City has run quite favorably with claims being in check, noting ESG can track claims by looking at the HRA reimbursements and the City is actually running 25% lower than expected this year. Mr. Thunberg then noted that 25% lower rate hasn't been reflected in the numbers because the year isn't over yet and there is still potential for claims in the current year, but again noted the City

has run favorably. Mr. Thunberg then stated the goal of the insurance company is to pass on costs when they can and those variables are what ESG is negotiating against. Mr. Thunberg then stated this year the City did have a couple employees come off the plan that had significant claim challenges, which helped in negotiations, but a lot of things that come into play when negotiating.

Mr. Thunberg then stated in summary, he has covered most of the items, adding there will be a dual choice; the PPO plan and the HSA plan offering different employee cost shares and the employees will choose what is best for them and their families. Mr. Thunberg stated ESG will help the employees with that enrollment decision and try to educate them on the pros and cons. Mr. Thunberg then stated the HRA is the City's self-insurance component of the deductible and there are no changes for the employee. Mr. Thunberg then gave a brief historical summary of healthcare benefit costs, stating back in Fiscal Year 2009-2010, the HRA was initiated and health insurance premium cost about \$756,000 annually, adding the cost has gone up and down, but compared to that year, the premium cost for the upcoming fiscal year will be about \$558,000, which is a \$200,000 reduction that has been realized each and every year since the HRA component was implemented, adding the HRA was a strategy the Council made a decision on and it's worked very well, helping keep increases manageable year-to-year.

Councilmember Konrad stated Mr. Thunberg had referenced both the HSA and the HRA and asked if those were the same plan. Mr. Thunberg stated the HSA is a Health Savings Account is a dedicated bank account that both the employee and City contribute to in order to help with employee's out of pocket expenses. Mr. Thunberg stated the money that is contributed remains in the account unless it's used for medical or health out of pocket expenses. Mr. Thunberg only way to secure an HSA account is to select the HSA insurance plan. Mr. Thunberg then stated the HRA is the Health Reimbursement Account and is the self-funded component or the risk the City takes to reimburse for specifically deductible events, regardless of the employee being on the HSA or the PPO insurance plan. Mr. Thunberg then stated if the employee has a large claim, those kinds of things typically go toward a deductible and in those cases, the City shares in those costs to keep that risk off the table for the insurance company and therefore, reduce reduces premium exposure. Mr. Thunberg then stated the HSA and HRA are different with different tax advantages.

Councilmember Lambert stated he was on Council in 2009 and as Mr. Thunberg stated, the premium has come down from approximately \$756,000 to about \$546,000 last year and has an increase for the upcoming fiscal year of about \$12,000. Councilmember Lambert then asked if the costs bottom out in 2014 and will slowly go up each year due to the cost of living and other factors with Mr. Thunberg stating the increased cost is a combination of 2 things; the premiums, which increased slightly and a modified adjustment to decrease expected claims slightly, adding the City's claims are running lower than anticipated. Mr. Thunberg then stated the balancing of those 2 elements generates a slight increase, adding they are 2 separate components, but they like to look at the combined gross amount because it gives the best picture as it relates to the budget process. Those 2 elements could be separated and looked at separately, but it's a very complex analysis to present. Councilmember Lambert asked if the City will see a gradual increase each year after bottoming out with Mr. Thunberg stating he feels the City is right where it's supposed to be. Mr. Thunberg then stated in understanding the group and how it performs, they are able to tweak numbers a little tighter, adding at the end of the day; the City's actual claims are imbedded in the numbers and can be looked at each year. Mr. Thunberg then stated the City has beat the claims experience every year but 1, when the claims were slightly over but not significantly. Mr. Thunberg then stated the tools put in place to address rising health insurance costs have worked very well.

Mr. Thunberg then stated another provision offered by the City to employees is life insurance adding there was a slight increase to stay with the same organization, but it is important to renew because many employees have purchased supplemental life coverage and changing providers is difficult. Mr. Thunberg then stated the increase is approximately \$40 a month for the entire group, again noting their recommendation is to stay with the current provider.

Mr. Thunberg then stated once the Council makes their decision, the next phase is open enrollment meetings, adding all rates, including health, life, vision and dental have been finalized and the administration will remain the same enabling employees to continue being educated about the use of HSA cards, FSA cards and the advantages those offer them as well. Mr. Thunberg then stated the target date for the open enrollment meetings is July 17 and he hopes to have all employees attend one of the meetings.

Councilmember Cook stated he has read of outpatient surgeries costing between \$60,000 and \$100,000. Councilmember Cook then asked if ESG's service included challenging bills that are presented by medical providers with Mr. Thunberg stating that is part of the service they provide. Mr. Thunberg then stated when a member of the group incurs a large claim, often they are not settled correctly, adding a lot of times when the claims come in, ESG sees that and turns the claim back to the carrier with a request for the claim to be readjudicated. Mr. Thunberg then stated it is not uncommon to see a cost and a discount provided by the insurance carrier, which is a negotiated contract between those 2 parties and sometimes, those things are missed that discount the bill down substantially. Mr. Thunberg then stated that goes to the point of staying in the BCBS network, adding BCBS has one of the largest networks in the State, which is very important to employees. Mr. Thunberg then stated ESG does advocate for employees when they see something not correct or something that needs to be challenged. Councilmember Cook asked if this was something the employee had to initiate with Mr. Thunberg stating they like the employee to bring it to ESG's attention, but every major medical event is processed through ESG for the HRA, which means ESG gets the claims regardless and does review them.

Mayor King then thanked Mr. Thunberg for his work on behalf of the Council and employees.

Councilmember Moncada then moved to approve the Health Insurance contract with Blue Cross Blue Shield for the Employee Benefits for Fiscal Year 2015-2016, and authorize the City Manager to sign the health insurance contract. Seconded by Councilmember Konrad. Motion passed 6-0.

DEPARTMENT REPORTS: None

ADJOURNMENT:

Councilmember Moncada moved to adjourn at 8:44 p.m. Seconded by Councilmember Lambert. Motion passed 6-0.

ATTEST:

Toney D. King, Sr., Mayor

Vicki L. Vivian, CMC, City Clerk