

**THE WORK SESSION
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD MAY 11, 2009 AT 6:00 P.M.
AT CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA**

**MAYOR FENN
OPENED THE MEETING AT 6:01 P.M WITH
THE PLEDGE OF ALLEGIANCE.**

**PRESENT WERE: MAYOR FENN, VICE MAYOR KING
COUNCILMEMBERS BONCQUET, LODZINSKI, McGOFFIN and SACCO
ABSENT WAS: COUNCILMEMBER LAMBERT**

NEW BUSINESS:

1. **Review of City's Preliminary Budget for fiscal 2009-2010. Discussion will concentrate on employee benefits, General Fund expenditures and (time permitting) Enterprise Funds; all revenues and expenditures of the City may be discussed**

Finance Director Jim Cox addressed Council regarding the budget stating he would begin by discussing employee benefits before addressing the items Council had questions on during the last budget worksession and then moving into discussion and presentation on the general fund. Mr. Cox then stated the employee benefits he would be addressing would be centered on health insurance. Mr. Cox stated the City's health insurance plan came to staff with a 27% increase in premiums and that he had budgeted a 5% increase in health insurance costs. Mr. Cox then stated the City was left with the challenge of competing goals of trying to keep benefits as close as we can to where they are today, while meeting the budget requirement of no more than a 5% increase. Mr. Cox then introduced Jim Sexton, the president of Sexton Benefits, the City's health insurance consultant and Al Thunberg, the president of Employee Solutions Group (ESG) Corporation, who administers the City's Flexible Spending Account (FSA) and COBRA plans. Mr. Jim Sexton then addressed Council concerning the history of the City health insurance renewals and the alternatives available to the City, stating by incorporating a Preferred Provider Organization (PPO) into the City's portfolio, it would give the City more flexibility and more choice while keeping the premiums as low as possible. Mr. Sexton then stated Mr. Thunberg would be addressing Council concerning a Health Reimbursement Account (HRA) which would be a tool to help soften the overall out of pocket expenses employees would incur in the new PPO plan design. Mr. Sexton then explained the proposed PPO plan design, stating the City would share in some of the out of pocket exposure with the employees. Mr. Sexton then stated the proposed PPO plan would provide employees enhanced benefits, giving more choices in terms of doctors and hospitals, and removing the Primary Physician requirement for specialist care. Mr. Sexton then stated by utilizing the HRA, the maximum out of pocket expense for a single employee would be \$1,400 and would be \$2,800 for a family, which he would have Mr. Al Thunberg explain. Mr. Sexton then informed Council that after an insurance plan is chosen, meetings will be held with employees to educate them regarding the plan and how it works. Mr. Thunberg then addressed Council stating his company specializes in creative solutions to help business entities and Cities manage the health care dilemma they face of finding a balance between the cost to the City, and maintaining benefits that offered to the employees. Mr. Thunberg then stated there were tools to help employees manage their out of pocket healthcare expenses, such as the FSA. Mr. Thunberg stated employees that utilized the FSA were able to save Federal, State, FICA and Medicare taxes on all of their out of pocket healthcare costs. Mr. Thunberg then stated the next step in this process is the Health Reimbursement Account (HRA) which was a plan designed to help organizations self-insure part of the risk of major medical events, allowing insurance premiums to be kept lower while offering comparable benefits to employees. Mr. Thunberg then gave a brief overview of the proposed PPO plan, highlighting the changes from the City's current insurance plan. Mr. Thunberg then addressed the HRA stating the proposed PPO plan has a \$3,000 deductible and the City would be asking the employee to pay the first \$1,000 of the deductible with the next \$2,000 being shared between the employee and the

City with the employee contributing 20% and the City contributing 80%. Mr. Thunberg then stated any cost above the \$3,000 deductible would be covered by the insurance plan. Mr. Thunberg stated this results in an out of pocket cost to the employee of \$1,400 and that for a family the maximum out of pocket expense would be \$2,800. Mr. Thunberg then stated the amount required from the City to cover the City's contribution of these claims has been included in the budget with the insurance premiums and that they have estimated the City's claims for the coming fiscal year to be approximately 10% – 12% utilization, but had budgeted for 15% utilization for large claims, being conservative in their estimation. Vice Mayor King asked about employee wellness programs with both Mr. Thunberg and Mr. Sexton stating these programs are available with our insurance carrier and during the employee meetings, they will stress the importance and education of these programs to the employees. Councilmember McGoffin asked if employees would be able to keep the FSA along with the HRA with Mr. Thunberg stating these programs supplement each other, so that anything not reimbursed through the HRA can be submitted to the employee's FSA. Mr. Thunberg then stated the FSA asked employees' to manage their out of pocket expenses by funding their own FSA. Mr. Thunberg then stated the proposed PPO plan was the right thing for the City to do since a 27% renewal increase could not be absorbed and that many cities in the county were using the same strategy for their health insurance management. Mayor Fenn then verified the health insurance budget contained a 6.9% increase from the previous year, with Mr. Sexton indicating the budgeted amount did contain a 6.9% increase but that they were very conservative in their estimation of large claims and that the City may not incur the full increase of the budgeted amount.

Mr. Cox then addressed Council stating there were two questions that Council asked at the last budget worksession, with the first question being how many employee reclassifications were in the 2009-2010 budget, stating there were no employee reclassifications in the coming fiscal year, but that there were 11 reclassifications in the current fiscal year. Mr. Cox then stated another question was how many employees were below the minimum salary range for their position and if the City was experiencing any salary compression. Mr. Cox then stated to answer that question, staff went back and examined each position in the City and discovered there was one employee that was significantly below the minimum salary by approximately \$1,400, indicating that was an employee that had converted from part-time to full-time and that there were some new employees below the minimum by approximately \$15 - \$20 and recommended making those adjustments in the 2009-2010 budget.

Mr. Cox then stated there was one new position request, however, there were no net personnel additions due to eliminating the position of City mechanic, which has been unfilled for about 3 years and the addition of a custodian position. Mr. Cox stated the custodian position would be offset by the expenses the City is currently paying an outside custodian contractor. City Manager Glenn Nichols then addressed Council stating staff felt it would benefit the City to have the position of a custodian to address and have greater control of the current cleaning duties, and to be utilized in case of special requests for custodial and facilities maintenance services.

Finance Director Jim Cox then stated a budget worksession was tentatively scheduled for May 13, 2009. After brief discussion, Council cancelled the May 13, 2009 worksession and stated the next budget worksession would be held on May 18, 2009.

ADJOURNMENT:

Vice Mayor King moved to adjourn at 6:56 p.m. Seconded by Councilmember McGoffin. Motion passed 6-0.

Mark M. Fenn, Mayor

ATTEST:

Vicki L. Vivian, City Clerk