MINUTES
CITY OF ORMOND BEACH
CITY COMMISSION
FINANCIAL TRENDS AND HEALTHCARE PLAN UPDATE

March 20, 2017	5:30 p.m.	City Commission Chambers

I. CALL TO ORDER

Mayor Bill Partington called the meeting to order at 5:31 p.m.

Present were Mayor Bill Partington, Commissioners Dwight Selby, Troy Kent, Rick Boehm and Rob Littleton, City Manager Joyce Shanahan, Assistant City Manager and Public Works Director Ted MacLeod, Deputy City Attorney Ann-Margret Emery, Finance Director Kelly McGuire, Assistant Finance Director Chris Byle, Human Resources Director Claire Whitley, Brown and Brown Insurance Vice President Jessica Scott, and Brown and Brown Insurance Director of Risk Management Brandon Savage, and Budget Advisory Board members Bill Harper, Kevin Tilley, Kenneth Kimble, and Scott Cichon.

Ms. Joyce Shanahan, City Manager, introduced Assistant Finance Director Chris Byle, noting that he replaced previous Assistant Finance Director Dan Stauffer, who had left the previous year. She noted that this was Mr. Byle's first Financial Trends Workshop. She explained that Deputy City Attorney Ann-Margret Emery was filling in for City Attorney Randy Hayes, whose mother passed away. She further noted that members of the Budget Advisory Board were also present and asked them to introduce themselves.

Mr. Bill Harper, Budget Advisory Board member, stated that it was his third year serving on the board.

Mr. Kevin Tilley, Budget Advisory Board member, noted that he was a new member to the board.

Mr. Kenneth Kimble, Budget Advisory Board member, stated that it was also his third year on the board.

Mr. Scott Cichon, Budget Advisory Board member, stated that it was his second year on the board.

Ms. Shanahan noted that another member of the board, Mr. Rafael Ramirez, could not attend that evening.

Ms. Shanahan explained that this was just a workshop and that the Commission would not be officially voting on anything, though they would be polled regarding their opinions in order to provide guidance for staff to begin formulating the budget.

Ms. Kelly McGuire, Finance Director, stated that the Commission was provided polling device keypads, as they had been in past workshops, and would use those to select their answers on some questions that would be posed to them. She noted that she would be reviewing the city's finances at 20,000 foot level, the long term financial plan that was in place, what the guidance in that plan was, and whether the Commission wanted to continue that guidance or point staff in a different direction, as far as in terms of developing the budget for next year.

II. FINANCIAL TRENDS

Long Term Financial Plan Policies

Ms. McGuire stated that the guidance for all of the city's funds was to maintain a tax rate which would properly fund the desired service level. She stated that they would also provide wage adjustments, as negotiated. She noted that the adjustments that had been negotiated with the police and fire unions were included in the numbers that were prepared, noting that negotiations with the general employees' union were currently underway. She explained that if new services of facilities were added, the guidance was to find a dedicated, recurring revenue source for them. She further explained that that was not just for the actual building of a facility, but also for all the ongoing costs associated with it and for its staffing needs.

Ms. McGuire explained that there was a policy in the General Fund to maintain the undesignated reserves at a minimum level of 15 percent of net expenditures. She stated that the policy for leisure services fees was to adjust them annually to capture ten to 20 percent of associated expenditures. She noted that the goal there was not to fully cover the recreation programs with those fees, explaining that to do so the city would have to charge such a high fee that no one would participate. She stated that the policy developed the previous year was to try and maintain a fee that would support ten to 20 percent of the cost.

Ms. McGuire noted that the city had a number of dedicated millages. She stated that some of that went to the Facilities Renewal and Replacement Fund. She explained that instead of setting a target millage rate, they had established a target dollar amount. She stated that the target was $500,000 in annual funding for that facilities renewal and replacement millage. She stated that another millage was for the General Capital Improvement Fund. She noted that the target dollar amount for that millage was $400,000.

Ms. McGuire stated that there was also a General Vehicle and Equipment Replacement Fund dedicated millage, with a target dollar amount of $225,000 annually. She noted that that millage was just started the previous year. She stated that there was a Transportation Fund, which had a dedicated millage that was annually funded at $500,000. She noted that the city had done rather well with those dollar amounts and was not presently looking to increase them.

General Fund Budget Estimates

Ms. McGuire stated that the current year budget was being balanced with the use of $460,676 in fund balance. She noted that $100,000 of that was set aside for the homeless issue and $360,000 was set aside for various other expenses, primarily related to economic development incentives. She stated that their early projection for next year was that the city would break even. She noted that the projection presently displayed a surplus of $25,266. She explained that the assumptions for the next year were four percent growth in taxable valuable – which would essentially equate to four percent growth in the tax revenue, the operating tax rate remaining the same, and potentially increasing the vacancy rate from four percent to five percent.

Ms. McGuire explained that presently the city budgeted a four percent vacancy savings yet, which meant that they budgeted for 96 percent of payroll. She noted that they knew last year from the audit results that the city had vacancies well above that amount. She stated that they were looking at possibly bumping that assumption rate up to five percent. She noted that there were concerns associated with doing so, explaining that they could not really predict or control the actual vacancy rate. She noted that it could be eight percent one year and two percent the next. She stated that there were some concerns in doing that. She explained that they did not want to cut themselves short and not fill positions that they needed to fill, but noted that, at the same time, they did not want to come back to the Commission at the end of the year with an extra $500,000 because of unfilled positions.

Ms. McGuire stated that the assumptions for fiscal year 2017-18 also included a three percent increase in wages. She noted that that was what was currently negotiated for police and fire employees. She stated that the assumptions also included a ten percent increase in healthcare costs. She noted that that may change but explained that that was what they were using for their present projections. She stated that there was also a one percent increase in operating expenses assumed. She noted that that was after a $100,000 reduction in fuel costs. She explained that there had been a surplus in the last few years in the fuel line item and that it thus warranted reducing.

Tax Rates

Ms. McGuire stated that the assumptions were that the General Fund would be adequate to generate the revenue necessary, and also meet the overall tax rate. She noted that for the Facilities Renewal and Replacement Fund, General Capital Improvement Fund, General Vehicle and Equipment Replacement Fund, and Transportation Funds, there was a target dollar amount. She stated that for the total operating millage, there was a target amount, and noted that it was the current operating millage rate of $4.2843. She explained that they essentially had to back into the General Fund amount. She noted that the displayed tax rates chart was what was being proposed for budgeted purposes, noting that it showed how the rate was split out amongst the funds.

Ms. Shanahan stated that most other communities in Volusia County functioned solely with a flat operating rate. She explained that Ormond Beach performed an internal segregation for the Facilities Renewal and Replacement Fund, General Capital Improvement Fund, General Vehicle and Equipment Replacement Fund, and Transportation Funds. She further explained that money was taken off the top and put into those funds to be used only for those purposes. She noted that that forced the city to keep their General Fund dollars at a lower level because they were already setting aside money for ongoing capital improvements.

Ms. Shanahan stated that many of Ormond Beach’s sister cities did not have any specialty funds during the recession, and thus were having difficulty paving roads, replacing vehicles, and repairing facilities. She stated that the Commission started this model in the early 2000s and noted that forced the city to save money for long term capital improvements.

Ms. McGuire noted that when the economy was declining, they discussed rolling back some of the set dollar amounts in order to provide more funding for the General Fund.

She explained that the city had not done that and had actually added dollars to some of the funds moving forward. She noted that the General Vehicle and Equipment Replacement Fund was added also, as it did not exist two years prior. She explained that it was important to continue to fund the operations of the General Fund, and also those capital project funds, with the millage rate.

Ms. Shanahan noted that years ago the city had had to cancel basketball activities at the Nova Recreation Center due to rain penetrating the roof and coming inside the facility. She stated that there were not funds available to repair the roof at that time. She noted that that was what precipitated some of these types of savings accounts.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should the current tax rate be used for FY 2018 budget development?***
    1. Yes
    2. No

Ms. McGuire noted that four respondents, or 80% of the Commission, selected option #1 – yes; **indicating that the city should use the current tax rate for FY 2018 budget development, and that one respondent, or 20% of the Commission, selected option #2 – no, indicating that the city should not use the current tax rate for FY 2018 budget development.**

<u>Leisure Services Fees</u>

Ms. McGuire explained that each year there was an automatic three percent increase in the leisure service fees. She noted on the chart she displayed that the expenditures were increasing, while the revenue was both not coming close to covering the cost of the services, and also not really changing. She explained that that was because even if the fees were increased by three percent, it was a very small figure to begin with.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should the 3% annual adjustment to Leisure Services fees be continued?***
    1. Yes
    2. No

Ms. McGuire noted that all respondents, 100% of the Commission, selected option #1 – yes; **indicating that the city should continue its 3% annual adjustment to Leisure Services fees.**

<u>Vacancy Rate for 2018 Budget Development</u>

Ms. McGuire referenced the vacancy rate, as previously discussed. She noted that the city presently had a four percent vacancy rate. She explained that she wanted to make sure the Commission was comfortable with that being increased to five percent. She reiterated that they could not guarantee what percent that rate would be. She noted that once they moved into the year they would come back to the Commission if they felt that projection would not be suitable.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should a 5% vacancy rate be used for FY 2018 budget development?***
    1. Yes
    2. No

Ms. McGuire noted that four respondents, or 80% of the Commission, selected option #1 – yes; indicating that the city should use a 5% vacancy rate for FY 2018 budget development, and that one respondent, or 20% of the Commission, selected option #2 – no, indicating that the city should not use a 5% vacancy rate for FY 2018 budget development.

<u>Water & Wastewater / Solid Waste</u>

Ms. McGuire stated that the long term financial plan called for smaller incremental increases in user fees in water and wastewater to fund operations, debt service requirements, and capital needs. She noted that it also called for incremental increases in solid waste user fees to adequately fund operations, including projected increases in contracted services. She explained that that included any cost of living or Consumer Price Index (CPI) adjustments provided to contractors. She noted that even if those were not provided to the contractors, it would at least keep the city's rates at a level suitable for rebidding purposes. She explained that last time they went out to bid, there was a huge increase in the contract price, and the city had to work out how to pass that on to its customers.

Ms. McGuire stated that the current year budget was balanced for the Water & Wastewater Fund. She noted that they were looking at shortfalls for the next few years. She explained that that was primarily due to the issuance of debt. She stated that there was funding within the current year budget for debt to be issued. She noted that it was not currently budgeted for in the future. She explained that the need for those additional services would depend on what happened with the city's Capital Improvement Plan (CIP). She stated that that plan would be before the Commission at a workshop in June. She noted that it may be that some of those projects needed to be moved out.

Ms. McGuire explained that it was too early to discuss it in detail. She stated that presently, the CIP called for debt to be issued in 2017-18 and again in 2018-19. She explained that in order to do that, there would need to be a rate increase of $1.00 per month for water and $1.00 per month for wastewater, in each of those years.

Ms. McGuire explained that she would ask them about using that adjustment for 2017-18 budget development only. She noted that they would only make that adjustment if it were needed, and explained that during the budget process they might determine it only needed to be a smaller adjustment or no adjustment at all. She noted that she could not definitely say at that time.

Commissioner Boehm stated that the water and wastewater budget chart showed an increase of about $125,000 in revenue between this year and next year. He noted that in each of the succeeding years the difference was $600,000. He asked why there was only a $125,000 increase between this year and next year, with an assumed increase in the rate.

Ms. McGuire stated that if there was an increase in the rate next year it would not likely need to be in effect until the beginning of the year. She explained that they did not want to increase the rate earlier than they needed to. She noted that if they did, they would be accumulating money that they really did not need. She stated that if there was debt issued, the chances were that it would be based on the timing of the debt. She noted that the interest payments would most likely not be due until the end of the fiscal year. She stated that they wanted to capture the timing of the increase.

Ms. Shanahan stated that what Ms. McGuire was projecting for the improvements were part of the Utilities Master Plan. She noted that projects could be pushed back however. She stated that the city was looking for general guidance from the Commission regarding their capital improvement appetite for planning purposes. She noted that she certainly did not want it stated that the rates would definitely be increasing by $1.00 per month.

Commissioner Kent asked if the debt Ms. McGuire referenced for this year was the $4 million that was on the City Commission agenda for that evening's meeting; whereby, Ms. McGuire confirmed that it was. She noted that that was for the two-inch watermain projects and stated that the debt service on that was already funded.

Mayor Partington stated that this was the smarter way to go from a policy perspective. He explained that he had never had anyone complain to him about the three percent leisure services fees increase, noting that he had no problem with its continuation. He noted that he was a little more sensitive about water and wastewater, and particularly water, because he had heard complaints about it, including from elderly residents with fixed incomes.

Commissioner Kent stated that Ormond Beach had historically had one of the lowest tax rates in Volusia County, noting that they were never higher than third lowest. He noted that the city's water and sewer rates had historically always been the lowest or the second lowest of anyone in the water business. He explained that they went years without an increase, and then had to hit their residents with an 18 percent increase in one year. He noted that it was important to make infrastructure improvements for water quality.

Mayor Partington stated that it was better to bring the rate along incrementally, a little at a time, than to wait and hit them with a large rate increase all at once.

Commissioner Boehm noted that the same was true of leisure service fees. He stated that the rates were not increased for ten years at one point and then residents were subjected to a 30 percent hike in one year.

Commissioner Kent stated that when Commissioner Boehm was serving as Chairman of the Leisure Services Advisory Board he had been ringing the bell about leisure service issues. He explained that the unwillingness to increase rates, and take care of their finances, was a problem throughout the city for ten years. He noted that certain election officials would vote for every item all year long, and spent every dime the city had, and then vote "no" when it came time to set the millage.

Commissioner Selby asked what the effect would be of raising the rates. He referenced the water and wastewater rates being listed per 5,000 gallons; whereby, Ms. McGuire explained that there was a minimum water rate for the first 2,000 gallons and then a per rate for every 1,000 gallons after that.

Commissioner Selby asked if the rate was $0.20 per 1,000 gallons; whereby, Ms. McGuire explained that this would be a $1.00 increase for water and a $1.00 increase for sewer added to the minimum bill rate. Commissioner Selby referenced the 5,000 gallons shown; whereby, Ms. McGuire explained that she displayed 5,000 gallons because that was what a residential customer typically received. She noted that this year a residential customer typically received a bill for $58. She stated that next year that bill for that same customer would be $60.

Commissioner Selby asked what the effect of raising the rates would be and questioned whether that would pay the interest on the debt service; whereby, Ms. McGuire noted that that would pay the principle and the interest.

Commissioner Selby asked what would happen if the Commission was not inclined to support these rate increases; whereby, Ms. McGuire explained that staff would modify the CIP so that the projects that were planned for the next year did not require any debt service.

Commissioner Selby asked what the reason not to approve it would be. He noted that if the projects were part of the CIP, he would assume that they needed to be done.

Ms. Shanahan noted that it could be pushed off if that was their desire. She stated that some other communities had done that; whereby, Ms. McGuire noted that they were not recommending that.

Mr. Ted MacLeod, Assistant City Manager and Public Works Director, explained that that was what the city used to do and that was how they ended up in trouble.

Commissioner Selby asked if issuing a couple million dollar bond every few years was cost effective, as opposed to borrowing $20 million once; whereby, Ms. McGuire replied that it was. She explained that the rates they were receiving presently were fairly good but the bond issuance costs were terrible. She noted that they had discussed doing a larger bond but explained that the problem with doing that was that the entire city could not be torn up all at once to replace two-inch watermains. She further explained that if they received those funds, they were required to spend it within three years or else there would be tax consequences. She noted that it was not realistic. She explained that presently they were doing a project every other year, with construction one year and design the next.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should an adjustment of $1 per month on water, and $1 per month on wastewater, be used for FY 2018 budget development?***
    1. Yes
    2. No

Ms. McGuire noted that all respondents, 100% of the Commission, selected option #1 – yes; indicating that the city should use an adjustment of $1 per month on water, and $1 per month on wastewater, for FY 2018 budget development.

Ms. McGuire stated that the city was not in too bad of shape in the Solid Waste Fund. She explained that for purposes of next year, and further out years, they were considering something in the neighborhood of a 1.25 percent increase per year. She further explained that that was based on the assumption that there would be some kind of CPI adjustment in the contracted rate. She noted that the contracted services made up the majority of the solid waste budget. She stated that if those dollars did not change, there would not be a need for a rate increase.

Ms. Shanahan explained that a few years ago, the solid waste contract was bid out and came in $2 million higher than the current rate. She noted that the city had a very low rate before, which did not keep pace with all of the other communities' rates. She explained that when it went out to bid, as it had to do every so often, it came in at the market rate. She noted that they had to really hit their customers with a higher increase than they intended to. She explained that the city had some reserves however, and did utilize those to offset the increase amount. She noted that those reserves were also used for the hurricane.

Ms. McGuire stated that unless the Federal Emergency Management Agency (FEMA) decided to reimburse the city very quickly, the city would use up everything they had in the Solid Waste Fund and then some. She noted that there had been about $4 to 5 million available in the reserves of that fund, but explained that the hauling costs were in excess of $6 million. She noted that those were just the debris removal costs and were not the costs for facility repairs and things of that nature, which would be taken from a different fund. She explained that that was another reason to perform small increases, in order to make sure they had some reserves in that fund.

Ms. Shanahan stated that it had taken four or five years to be reimbursed from FEMA before.

Commissioner Selby noted that the chart displayed indicated $8.9 million in reserves.

Ms. Shanahan stated that the city would spend every bit of that this year because they were outlaying the cash for all of the debris removal. She asked Ms. McGuire if she had submitted a request for reimbursement; whereby, Ms. McGuire replied that two requests had been submitted.

Commissioner Selby asked if the solid waste contractors actually recycled anything. He explained that when they came to his home they just threw everything in the recycling bin in a trash cart; whereby, Mr. MacLeod explained that they hauled it off to a recovery facility and did all of the sorting there.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should a 1.25% adjustment to solid waste rates be used for FY 2018 budget development?***
    1. Yes
    2. No

Ms. McGuire noted that all respondents, 100% of the Commission, selected option #1 – yes; indicating that the city should use a 1.25% adjustment to solid waste rates in FY 2018 budget development.

Ms. McGuire stated that her presentation was completed, whereby; Mayor Partington stated that he appreciated the work that Ms. McGuire and Ms. Shanahan had put into the presentation. He noted that it was nice to be on the Commission at a time when the city was in excellent financial shape, noting that Commissioner Kent had mentioned an earlier time when it was not that way.

Ms. Shanahan thanked the Budget Advisory Board for being a great sounding board and for providing the city with direction.

III. HEALTHCARE STRATEGIC PLANNING UPDATE

Ms. Shanahan stated that city staff met quarterly with Florida Health Care Plans (FHCP). She stated that that was part of the unique opportunity with having a local health care plan in their midst. She noted that it would be very difficult to get a larger national plan to sit at the table and really listen to the city. She stated that FHCP did listen to the city and took under advisement the issues and concerns that they had. She noted that they had helped the city move forward. She explained that one of the key issues was the healthcare clinic, and noted that FHCP helped the city save money there. She stated that they had been responsive. She noted that Brown and Brown Insurance had also done a great job, noting that they interfaced more with the insurers than the city did.

Ms. Claire Whitley, Human Resources Director, stated that this was the Commission's fourth workshop on healthcare planning. She explained that no decisions presently needed to be made and that they would be providing information regarding the current status of utilization and upcoming steps.

<u>Plan Utilization Overview</u>

Ms. Jessica Scott, Vice President, Brown and Brown Insurance, explained that Mr. Brandon Savage, Director of Risk Management, Brown and Brown Insurance, dissected the claims reports that they received from the insurance carriers to make that data meaningful for their clients. She stated that she would also discuss with the Commission the city's most recent renewal and how it compared to the 2016 renewal, as well as some of the goals and results.

Mr. Brandon Savage, Director of Risk Management, Brown and Brown Insurance, displayed a combined monthly utilization overview and noted that it contained a lot of information. He explained that it was broken down by plan year and month and then by plan type. He noted that the Health Savings Account (HSA) plan was the highest enrollment plan in 2016, and that that was the year that that plan option started. He noted the other two plan options, the Point of Service (POS) plan and the Health Maintenance Organization (HMO) plan, explaining that the HMO plan was discontinued presently.

Mr. Savage directed the Commission's attention to the listed loss ratios. He explained that the loss ratio was the dollars that FHCP took in versus the dollars that FHCP spent. He noted that the first plan option, the HSA plan, had a 73 percent loss ratio. He explained that that meant that FHCP spent $0.73 for every dollar that they took in in premiums. He noted that the target loss ratio was 85 percent, explaining that FHCP wanted 85 percent to go towards care with a 15 percent margin. He stated that they were missing administration costs, as FHCP did not release those. He explained that those included fixed costs such as capitation and claims costs, including medical and pharmacy.

Mr. Savage stated that the 2015 loss ratio was not great. He noted that it was 112 percent, which meant that FHCP paid out $1.12 for every $1.00 they took in.

Commissioner Kent point out that that was not including their management fees that Mr. Savage just mentioned; whereby, Mr. Savage noted that that was a good point and that the 112 percent rate was actually a bit understated.

Mr. Savage stated that the loss ratio for 2016 had improved, and was really on target, at 84 percent minus the administrative costs. He noted that they did not yet have the 2017 figures. He stated that that 84 percent included the fourth quarter for 2016, noting that the fourth quarter was usually the heaviest time for claims. He explained that employees had often met their deductible at that point.

Mr. Savage displayed a graphic showing the city's large claims summary. He noted that there were nine claimants in 2015 that exceeded $50,000 in paid claims, in medical and pharmacy expenses combined. He stated that the total paid was $1,488,027. He stated that in 2016, there were still eight large claimants, with the total paid claims reaching $1,151,721. He noted that there was a difference on one large claimant, and about $350,000, between the two years.

Ms. Scott explained that one of the claims reports that they had requested that FHCP came up with was the individual deductible and out of pocket accumulation. She stated that this report allowed them to track what the employees were paying out towards their deductible on the HSA plan. She noted that they could observe how many met the deductible versus the out of pocket maximum, and also determine how many employees had HSA funds left over at the end of the year. She explained that the city provided HSA funds to its employees on that plan.

Ms. Scott stated that in 2016 there were 232 subscribers on the individual employee only HSA plan. She stated that 51 of those employees met their deductible and 13 met their maximum out of pocket total. She noted that the deductible amount was $1,600 and that the maximum out of pocket was $3,200. She stated that roughly 70 percent of subscribers had funds left over in their HSA at the end of the year. She noted that the majority of employees had at least $750 in said account, which would roll over into the next year.

Ms. Shanahan noted that employees *could* have that amount left over. She explained that if the employees chose to use those funds for eyeglasses, or dental expenses, or other eligible non-medical expense, they might not have those funds left. She noted that this tracked solely medical expenses.

Ms. Scott stated that the same report was created for those on the family plan. She noted that there were 81 subscribers using the family plan. She stated that the family deductible for 2016 was $3,200 and the out of pocket maximum was $6,400. She stated that 26 out of the 81 subscribers met their deductible. She noted that four met the maximum out of pocket amount. She stated that about 30 percent of the family plans had HSA dollars remaining.

Ms. Shanahan asked Ms. Scott to explain the embedded deductible, which was put into place for 2017.

Ms. Scott explained that in 2016 the $3,200 deductible could be met by one family member, or all family members could track towards that deductible together. She further explained that there had been changes made in how deductibles could be set up on HSA accounts, and that they took advantage of that by incorporating an embedded deductible. She explained that for the embedded deductible, the family members had to meet a $2,600 deductible, but that the remaining amount from $2,600 to $3,200 would be met by the family together. She noted that one person in the family could get to $2,600 and be done, and it would jump into the co-insurance amount. She explained that previously they had to meet $3,200 either individually or together. She noted that that was a change that gave relief to some employees who were enrolled with their families on the plan.

Ms. Shanahan stated that that was sort of a shift back to the way it used to work on a more traditional healthcare plan.

Commissioner Selby asked why the subscribers with remaining funds were so much lower in the families than in the individuals; whereby, Ms. Scott replied that they did not really receive data that explained what that was. She noted that it was hard to say. She explained that the data that they received was thresholds and percentages.

Ms. Shanahan explained that the city could not receive the HSA information directly from the HSA account, as that was protected information. She further explained that they backed into it by researching claims and subtracting it from the deductible.

Ms. Whitley noted that what they were looking at were the city provided HSA funds. She explained that whether an employee was on an individual or family plan, they received the same HSA funding amount from the city. She noted that on a family plan, that same funding amount was covering a higher deductible. She stated that that was likely what the difference was.

Ms. Shanahan stated that she believed that those figures may change some, when they received the data for 2017, because of the plan change with the embedded deductible.

Ms. Scott stated that the HSA funding provided to each employee on the plan for 2016 was $1,350. She noted that that increased to a possible total of $1,600 in 2017, provided that the employee participated in incentivized wellness activities to receive the additional dollars.

Renewal and Claims History

Ms. Scott displayed a 2016 and 2017 comparison graphic. She stated that the actual premium amount for 2016 was around $2.5 million. She noted that that was for 317 enrollees. She stated that the premium amount for 2017 was projected at $2.67 million. She explained that the HSA fund contributions were set at $1,350 for both years, which ended up being $421,000 for both years. She noted that there was a 3.4 percent increase from 2016 to 2017.

Ms. Scott referenced the incentives she had mentioned, noting that employees had the opportunity in 2017 to participate in wellness activities in order to receive an additional $250 in their HSA account, which coupled with the $1,350, could equal the full deductible amount of $1,600. She explained that factoring in those incentives, which cost roughly $80,000; there was an overall increase for 2017 of 6.1 percent.

Ms. Shanahan noted that that was below the ten percent increase that they had projected.

Goals / Results

Ms. Scott stated that one of their goals was to continue employee education. She noted that that was a large component of rolling out the HSA plan. She stated that employees seemed a lot more comfortable during the last enrollment period, and better understood how the plan worked. She stated that they would also continue to offer tools to help employees lower their personal healthcare costs. She explained that those tools included things like a reduced copay prescription list from FHCP, where employees could pay a copay before having to meet their deductible for that particular list. She noted that the copays were either $3.00 or $10.00. She stated that another tool was the Workforce Wellness benefit offered by FHCP. She noted that the copay, which was previously $5.00, was no longer in place and now there was no copay.

Ms. Shanahan stated that what Workforce Wellness meant was that an employee could go to a FHCP doctor and have no copay, no matter which FHCP plan they were on. She noted that it used to be $5.00. She explained that if an employee was sick on a weekend, and their regular doctor was not in, they could go to a wellness clinic.

Ms. Scott explained that that was for primary care and urgent care needs. She noted that at the most recent quarterly meeting with FHCP, FHCP informed them that there were 127 employees that had already used that benefit in the year to date. She stated that another benefit that was imbedded with the plan last year was the Doctor on Demand, where employees could phone a doctor from their home at any time and have a consultation. She noted that employees on the HSA plan would pay a $40.00 copay for that service. She stated that year to date, in 2017, six employees had already used that service.

Ms. Scott noted that there continued to be quarterly meetings held with FHCP's executive leadership. She stated that those had helped address employee's questions and concerns. She stated that they continued to discuss claims data with them and understand what they could do to improve it. She noted that they also continued to work on FHCP's reporting. She stated that the employee clinic through FHCP had also been implemented, and explained that the idea behind that was to manage chronic conditions of employees and to prevent catastrophic illnesses. She explained that that was being largely facilitated through the Workforce Wellness primary care benefit.

Ms. Scott noted that there were also some HSA incentives for health risk assessments and screen cancer screenings. She explained that employees could earn $125 in HSA funds for participating in health risk assessments, and another $125 in HSA funds for participating in skin cancer screenings. She stated that there was also a medication list of selected medications that were free to employees and their dependents on the plan.

She noted that the list included medications to treat diabetes, heart conditions, high blood pressure, and high cholesterol. She stated that there were 107 employees that had received those free medications to date.

Ms. Shanahan stated that the issue of skin cancer screenings came up because in the last three years, the city had at least one major large claim due to skin cancer. She noted that she believed there were also two deaths as a result. She stated that a lot of the city's workforce worked outdoors. She noted that the city provided sunscreen and discussed sun safety, but stated that screening was important.

Ms. Scott stated that the long term goals for healthcare were fiscal sustainability, to continue evaluating healthcare options including self-funded programs, and to continue to discuss and evaluate wellness initiatives.

Next Steps

Ms. Scott stated that there would be another update for the Commission in June. She noted that in August the formal renewal process would be undertaken. She stated that there would be a review with collective bargaining in September, and that that was also the time when the finalists would be determined from the bid process and negotiations would be finalized. She noted that there would be another workshop with the Commission in September to go over those results and receive feedback from the Commission. She stated that in October, recommendations would be made to the Commission for the 2018 healthcare plan. She stated that open enrollment would occur at the end of the year.

Ms. Shanahan asked Ms. Scott if she could speak to what was going on in the political environment regarding healthcare, and what effect that may have on the city.

Ms. Scott stated that there would be some expansion on HSA plans, noting that the city was in a really good spot with that already in place. She noted that it was believed that some of the HSA restrictions would be eliminated, and that there would be a more expansive list of uses for those HSA funds. She stated that she thought there would be some positive changes with that. She noted that she did not foresee many changes to plan design. She stated that there was talk of increasing competition, but explained that she felt that to be more of a long term goal.

Commissioner Kent stated that he liked the incentive screenings and that he loved that there was no cost for specific medications. He noted that he also appreciated the Workforce Wellness benefit. He explained that he had been ringing the bell the past two years because he did not like where the healthcare situation was going, did not like the changes that were being pushed out to employees, and did not like the costs associated. He noted that he felt like the Commission's concerns for the employees had been addressed creatively. He stated that it was not perfect and that he was not thrilled with the high deductible that had to be met, but noted that he did have a lot more positive comments than negative comments.

Ms. Shanahan stated that the issues that Commissioner Kent had raised were issues that the city had heard from its employees as well. She noted that Commissioner Kent was the employees' voice in these workshops. She stated that city staff, Brown and Brown Insurance, and FHCP worked together to find solutions. She provided an example of bringing to FHCP that medications that cost $4.00 at their pharmacy were free at Wal-Mart. She noted that she thought that it was certainly a team effort all the way around.

Mayor Partington noted that the costs had been explosive and were concerning. He stated that he appreciated the skill and expertise of all those involved in addressing the issue. He noted that it took a lot of give and take with the Commission also. He stated that healthcare was something they would have to continue to monitor. He congratulated city staff and Brown and Brown Insurance on doing a great job and meeting the needs of the city's employees.

Ms. Shanahan stated that he city's human resources department played a vital role. She explained that Ms. Heather Kidd, Human Resources Generalist, field questions from employees regarding their healthcare issues. She noted that the employees felt comfortable sharing with her. She stated that the human resources department did an amazing job in helping the employees understand their healthcare.

Ms. Shanahan stated that it was important to stay vigilant in monitoring healthcare costs, noting that that was the Commission's direction. She explained that costs could get out of control if they were not being carefully monitored. She noted that they would continue to update the Commission, and to do the best they could with the dollars that they had.

Ms. Scott noted that a lot of local cities paid attention to the experience that Ormond Beach went through and were interested in pursuing a similar path. She explained that that was especially so after seeing how FHCP had responded to their plan design and the creative ideas they had incorporated into the plan. She noted that other cities wanted to get on board with that as well and were pursuing that in their own ways.

Commissioner Selby referenced the 85 percent loss ratio goal and asked whether that figure would include FHCP's overhead; whereby, Mr. Savage replied that 85 percent would. Ms. Scott stated that an 85 percent loss ratio would mean that FHCP was breaking even. She explained that they really wanted to see it under that, as that would mean that it was profitable.

Commissioner Kent stated that he would not share with other municipalities that Brown and Brown Insurance came to sit down with them quarterly. He noted that personal relationship and customer service mattered and that he appreciated them coming to the city and doing that.

Ms. Scott noted that she preferred to operate that way, and did not like for her clients to be caught off guard.

IV. ADJOURNMENT

The meeting was adjourned at 6:29 p.m.

Transcribed by: Colby Cilento