

SUBJECT: AUTHORIZATION TO INCREASE DEPARTMENTAL CONTRIBUTIONS TOWARDS HEALTHCARE AND APPROVAL OF BUDGET ADJUSTMENTS

SOURCE: ADMINISTRATION



COMMENT: The City's self-funded healthcare plan's assets held in the Risk Management Fund have gradually depleted over the course of the last several years. This is attributed to expenditures increasing while fund contributions have remained static. The increasing medical costs are primarily driven by the implementation of the Affordable Care Act. In order to address the fund deficiencies, the City has made healthcare its primary focus in negotiations with the City's bargaining units. The City has proposed cost-saving amendments as well as increased contributions by employees and dependents. As a part of this comprehensive solution, staff further proposes increased departmental contributions into the fund.

The last change in the City-paid medical benefits was back in June of 2005. Staff proposes the following changes to the City's contribution to the Health Benefit Plan assets:

| <u>Current</u> | | <u>Proposed</u> | |
|----------------------------------|----------|----------------------------------|----------|
| <u>Departmental Contribution</u> | | <u>Departmental Contribution</u> | |
| Employee | \$300/mo | Employee | \$700/mo |
| Employee +1 | \$450/mo | Plus Spouse | \$700/mo |
| Employee +2+ | \$675/mo | Plus Children | \$700/mo |
| | | Plus Family | \$700/mo |

The estimated total cost of the proposed increase is approximately \$670,000 annually. The General Fund portion of this cost is about 70%. Staff feels very strongly that this increase is necessary to support the City's self-funded healthplan and to avert a deficit in the Risk Management Fund. Staff therefore recommends that the City Council approve the proposed change in City-paid medical benefits effective October 1, 2014 and authorize the necessary budget adjustments to the Departments' appropriations.

RECOMMENDATION: That the City Council approve the increase in City-paid medical benefits effective October 1, 2014 and authorize the necessary budget adjustments.

D.D.  Appropriated/Funded MB C.M.  Item No. 01