

SOUTH JORDAN CITY
CITY COUNCIL WORK MEETING

October 1, 2013

Present: Mayor Scott Osborne, Council Member Mark Seethaler, Council Member Chuck Newton, Council Member Brian Butters, Council Member Steve Barnes, Council Member Larry Short, CM John Geilmann, ACM Gary Whatcott, COS Paul Cunningham, City Council Secretary MaryAnn Dean

4:00 P.M.

EXECUTIVE CONFERENCE ROOM

SPECIAL WORK SESSION

Mayor Osborne welcomed everyone present.

I. TRAINING

None.

II. MAYOR AND COUNCIL ITEMS FOR REVIEW AND DISCUSSION

None.

III. STAFF PRESENTATIONS AND DISCUSSION

- A. Discussion: Why the City Uses the Public Employee Health Plan (PEHP) for Employee Health benefits. *(By COS, Paul Cunningham)*

COS Cunningham said under the Affordable Health Care Act, the city is considered a large business. Mayor Osborne asked if the postponement of the effective date changed anything for the city? COS Cunningham said no, the city is in compliance.

COS Cunningham said PEHP is a trustee for the city. It is self-funded. They are pooled with other entities in the state. He said in the private sector, companies move employees to other insurance companies to chase dollars. The city doesn't have to do that. With PEHP, there are fees that they do not have to pay under Obama Care (see Attachment A). The money that the city has sitting in reserves draws interest. PEHP wants to make sure that the city is satisfied. The employees have different plans to choose from. He said they may explore an HSA option in the future. The employees are happy with PEHP. Unless there is a strong policy reason, staff intends to stay with PEHP.

Council Member Seethaler asked about catastrophic insurance coverage. COS Cunningham said the city does not do reinsurance. It is done through PEHP.

Council Member Seethaler asked about a cost comparison to commercial plans. COS Cunningham said PEHP administrative costs are 4 percent, which is very good. The rest is spent on benefits. The city is middle of the pack comparing what they spend on benefits versus other communities. Commercial insurance has higher administrative costs and less money go towards actual benefits.

COS Cunningham noted that the State, County, and Salt Lake City have HSA plans that are incentivized for their employees, through PEHP.

The City Council discussed the fact that the city is currently in a young insurance pool. Mayor Osborne asked if the demographics will change. COS Cunningham said not if they stay in the pool with small cities and service districts. If the city gets large enough, they could be in their own pool.

COS Cunningham said Utah Local Governments Trust is a broker. The City does not currently have a broker. He said they have resources to help them at PEHP. PEHP can offer help with the potential HSA option.

B. Discussion: CAFR for Full Time Equivalent (FTE) Reconciliation (*By COS, Paul Cunningham*)

COS Cunningham reviewed the Full Time Equivalent Reconciliation (Attachment B). He reviewed how part time employees are required to keep their hours less than 30 hours per week. That number is averaged out, and is tracked on a yearly basis.

Council Member Short arrived at this point in the meeting.

It was noted that the part time numbers remained consistent. The City Council discussed the fact that more employees will be needed at some point, as the city continues to grow. COS Cunningham said staff requests for next year have been submitted. It will go through a staff review. They will consider part time employees where they can. Contracting their work is also something that could be considered.

COS Cunningham explained how part time equivalent employees are figured. It was done differently in the past; it is now based on actual hours.

IV. CLOSED SESSION

None.

The City Council determined to take a tour of River Heights Drive prior to the October 15th City Council meeting.

ADJOURNMENT

Council Member Newton made a motion to adjourn. Council Member Seethaler seconded the motion. The vote was unanimous in favor.

This is a true and correct copy of the October 1, 2013 City Council Work meeting minutes, which were approved on October 15, 2013.

Anna M. West
South Jordan City Recorder

Federal Healthcare Reform & PEHP Employers

PART 5 IN A SERIES

Self-Funding 101

Self-funding is a proven, cost-effective method for providing employee benefits. It looks even more attractive in light of federal healthcare reform. As an issuer of a self-funded plan, you can forgo a number of costly fees and regulations.

About Self-Funding

With a self-funded medical plan, an employer puts money into a trust (PEHP) to pay claims. Any money that isn't used to pay claims is returned. It's unlike fully insured arrangements, where the insurance company keeps the difference (profit).

Self-funding is the choice of most large employers. Reports show about 85% of employer health plans use some form of self-funding. Employers choose self-funding to control costs, save money, and customize benefits. (PEHP administers only self-funded plans.)

Healthcare Reform & Self-Funding

Self-funded plans are exempt from a number of costly fees (e.g., Annual Health Insurance Industry Fee, Risk Adjustment Program and Fee) and regulations (e.g., new marketing, Internet portal, enrollment and provider network, and quality accreditation rules). Self-funded plans also maintain the ability to differential rate based on a group's experience.

Other Advantages

No Profit Margin or Risk Charge »

The profit margin and risk charge of an insurance carrier are eliminated through self-funding. Typical profit margins and risk charges are about 4%, but can be higher or lower depending on various factors. We refund any excess reserves.

Low Administrative Costs »

Self-funded plans have lower overhead and administrative costs than fully insured plans. PEHP's administrative costs average about 5% of premium, whereas the industry average is 15-20%. This is significant savings, especially over time.

Tax Savings » You don't pay premium tax on claim expenditures, which can mean considerable savings over fully insured plans.

Earn Interest » Any money you have in reserves earns interest — it's your money held in trust.

peHP Serving the Employees Who Serve Utah

About the LGRP

The Local Governments Risk Pool (LGRP) is a way for Utah public entities to get value in medical and dental benefits.

About the LGRP

The LGRP consists of more than 240 municipalities, counties, special service districts, and schools in Utah. These entities together form a self-funded pool. The LGRP follows a nonprofit model unlike anything in the market. The money we hold in the LGRP is never ours. It always belongs to our clients, because the LGRP is self-funded. So, when trends are lowered or costs are reduced, our clients reap the financial benefit, as they did in 2012 when we returned \$14.5 million in the form of a premium holiday.

LGRP and Healthcare Reform

Because the LGRP is self-funded, it's not subject to:

Annual Health Insurance Industry Fee

» Must raise \$8 billion annually beginning in 2014, \$14.3 billion in 2018

Risk Adjustment Program Fee

» Cost varies based on risk of insured pools

Health Insurance Marketplace User Fees

» 3.5% of monthly premium (estimated)

Other LGRP Advantages

- » Lowest administration and reinsurance costs in Utah
- » You earn interest on funds held by PEHP in trust
- » No profit margin or risk charge
- » Variety of plan options; depending on group size, we can offer up to six medical plan options
- » We have three medical networks available that together provide access to more than 12,000 providers and every major hospital in Utah
- » One-stop shopping: get medical, dental, vision, life, and LTD from one source — convenient for you and your employees
- » Unmatched customer service — external surveys show satisfaction rates above 95%
- » Requires only a one-year contract with immediate vesting available with approved credible experience

PEHP Serving the Employees Who Serve Utah

Attachment B
10-1-13 C.C. work
mtg.

CITY OF SOUTH JORDAN
Full-time-Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Full-time-Equivalent Employees as of June 30

Function/Program	2012										2013			
	2004	2005	2006	2007 ¹	2008	2009	2010	2011	2012 FT	2012 Total ²	2013 FT	2013 Total		
General government	6	5.5	9.75	8.25	8.25	10.25	10.25	10.3	6	3.16	9.16	6	3.22	9.22
Management services	20.5	18.5	20.5	23	32	19	19	17.0	19	-	19.00	17	-	17.00
Finance	4	7	5	8	9	11	8	9.0	7	-	7.00	9	-	9.00
Planning	6	9	7	5	4.5	4.5	6	6.0	7	-	7.00	7	-	7.00
Building	7	8	8	10	8	8	9	12.0	12	-	12.00	13	-	13.00
Legal ²				6	6	7	7	6.0	6	0.48	6.48	6	0.45	6.45
Municipal Court ²				7.8	6	6	8	7.0	6	0.04	6.04	6	0.15	6.15
Other	7	7	7	11	15	24	22	19.0	23	-	23.00	21	3.34	24.34
Police	37	43	41	48	50	49	48	50.0	47	-	47.00	50	-	50.00
Officers	13.75	18.5	19.25	10.75	10.75	11.75	10.75	8.9	8	6.06	14.06	8	6.42	14.42
Civilians														
Firefighters and officers	34	34	44	42	46	46	45	47.0	45	0.18	45.18	47	0.30	47.30
Civilians	-	0.5	1.5	2	2	2	2	1.34	1	-	1.00	1	-	1.00
Refuse collections	1	1	1	2	3	2	2	2.0	2	-	2.00	2	-	2.00
Other public works														
Engineering	11	12.75	15.5	19.5	20.0	20	19	18.0	17	-	17.00	16	-	16.00
Streets ²				12	12	13	12	12.0	13	-	13.00	13	0.16	13.16
Storm Drain ²				5	8	10	8	8.0	8	-	8.00	9	0.16	9.16
Other	20	32	39	12	11	11	13	13.0	14	-	14.00	13	0.37	13.37
Redevelopment	1.5	1.5	1	1	2	1	1	1.0	2	-	2.00	2	-	2.00
Parks and Recreation	22	76	76.5	45.5	53.25	47.00	50.25	58.3	32	40.91	72.91	30	36.80	66.80
Water	14	14	14	17	17	19	19	18.0	19	-	19.00	18	0.16	18.16
Total	204.75	288.25	310	295.8	323.75	321.50	319.25	323.75	294	50.83	344.83	294	51.53	345.53

Source: The City of South Jordan HR Department

¹ Reporting modified to match actual City budgets, breakout additional functions, and not include seasonal employees

² New function breakout

³ Reporting modified: all part-time and seasonal employees reported based on actual hours worked vs. estimated FTE; now includes crossing guards

Function/Program	2013	2013 Total
General Government Breakout	3.00	3.00
Council & Mayor	.5	.5
Assistant City Recorder	.22	.22
General Government Other Breakout	.16	.16
Communication Center	.79	.79
Community Services Programs	2.39	2.39
Parks & Recreation Breakout	6.07	6.07
Parks	.43	.43
Evidence Tech.	.83	.83
Records Tech.	.65	.65
Victim Advocate	4.51	4.51
Crossing Guards		
Police Breakout		
Program Coordinator (2)	294	294
Justice Court Clerk		
Staff Attorney		
Public Works Technician		
Purchasing Coordinator		
Greens Assistant		
Facilities Manager		
GIS Survey Technician		
Utility Billing Specialist		
Unfunded vacant positions (2)	309	309
Electrician (Eliminated FY13-14 budget)		
Custodian (Eliminated FY13-14 budget)		
Parks Maintenance Worker		
[15 positions vacant]		
Electrician	294	294
Custodian		
Parks Maintenance Worker		